CENTUM

2019
INTEGRATED REPORT AND FINANCIAL STATEMENTS

INSIDE THIS REPORT

BASIS OF PREPARATION

ROADMAP TO FULL INTEGRATED REPORT

2018

Gap analysis on existing reports

Implement improvement areas from FY 2018 report

2019

Transition and implementation of integrated reporting

Development of first integrated report

2020 AND BEYOND

Optimization of integrated reporting

Enhancement of integrated reporting in line with the leading practice

Centum Investment Company Plc is pleased to present its FY 2019 Integrated Report, our first report to embrace the Integrated Reporting framework. This report is a deliberate step in communicating to our stakeholders and offering transparency into our operations in line with the Integrated Thinking philosophy.

Therefore, this report provides a more cohesive and efficient approach to corporate reporting and improves the quality of information to our primary audience – providers of capital.

Our integrated report is prepared in accordance with the International Integrated Reporting Council's Integrated Reporting Framework adhering to the fundamental concepts. Additionally, we continue to align to the Kenya Companies Act, 2015 guidelines issued by the Capital Markets Authority and the listing requirements of the Nairobi Securities Exchange as we have done over the years.

The Financial Statements set out on pages 113 to 252 have been prepared in accordance with International Financial Reporting Standards (IFRS).

Scope and Boundary

Our FY 2019 Integrated Report covers the period 1 April 2018 to 31 March 2019. This report outlines who we are, what we do and how we create value in the short, medium and long-term; providing insights into our structure, strategy, objectives, performance, governance and future viability [1].

The scope of this report relates to Centum as an investment company, its real estate development activities and material matters arising from its investment activities through private equity and marketable securities.

References made within this report refer to Centum Investment Company Plc and all references to the Group denotes the Company and its subsidiaries. Material developments beyond the reporting period up to the date of publishing of this report have been included.

Materiality

This report provides information on all those matters that we believe could substantively affect value creation at Centum. Written primarily for current and prospective investors, the report is of interest to any stakeholder who wishes to make an informed assessment of Centum's ability to create value over time.

This report presents the identified material information through a clearly structured narrative. Additional information not material for this report, but of interest for other purposes, are provided on our website.

Assurance

To enhance the integrity of our report, the financial statements were audited by PricewaterhouseCoopers in accordance with the International Standards on Auditing (ISAs). The Centum Board Audit Committee verified the independence of the assurance provided.

The External Auditor's report in respect of the Financial Statements of the Company and the Group is set out on pages 119 to124 of the report.

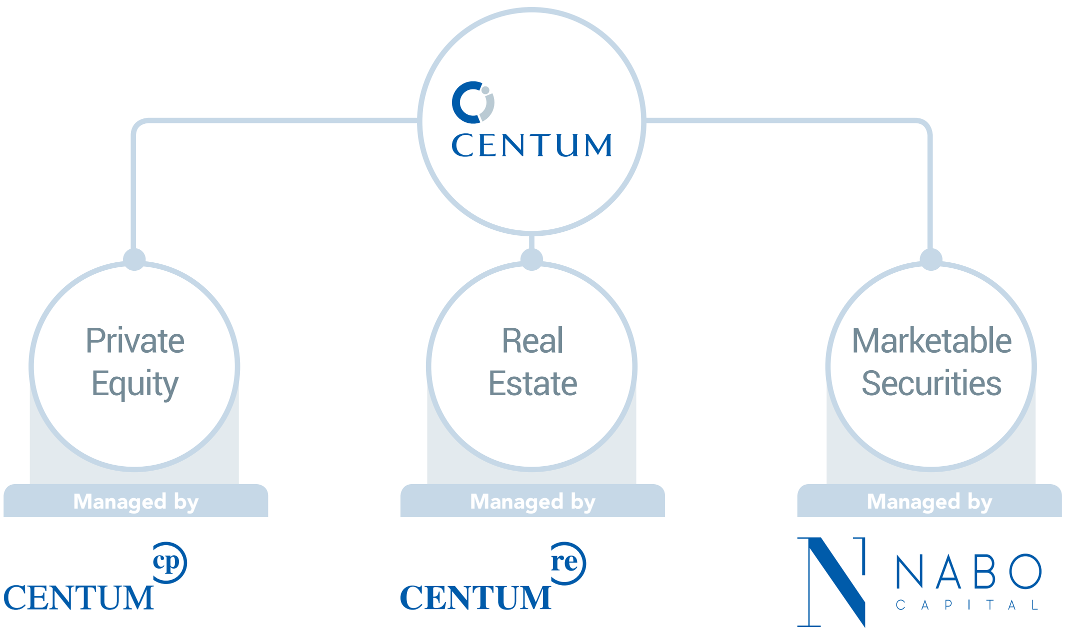
[1] *Certain statements in this document concerning our future growth prospects may be termed as forward-looking statements, which involve several risks and uncertainties that could cause actual results to differ materially from those presented in this report. The Company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the Company.*

ABOUT US

Centum Investment Company Plc ("Centum" or "CICP") is a public limited company whose business is investing capital in various assets for an investment return. Centum positions itself as an investment channel through which other investors can access diversified investments.

Operating Model

Our portfolio consists of 3 business units, representing our 3 broad asset classes.



Our principal objective is to invest in a diversified portfolio of growth capital and change of control investments in mid-sized companies primarily operating in growth markets across East Africa.

Within Real Estate, we are master developers of urban nodes in East Africa. We generate our return through the sale of construction-ready sites, development and sale of targeted infill projects, and managing specific assets for rental.

Represents our investment in large and mid-capitalization equities, fixed income and cash, contributing to Centum's liquidity.

Our Vision
Africa's foremost investment channel

Our Mission
Create real, tangible wealth by providing the channel through which investors access and build extraordinary enterprises in Africa.

Our Core Values
› We deliver to promise
› We invest responsibly
› We value our people
› We learn and innovate

We position ourselves as a channel through which our primary market will access a well-diversified portfolio and investment management expertise. Additionally, we are an investment partner of choice for our secondary market.

Our target market
broadly divided into two categories

Primary: These are the providers of debt and equity capital.

Secondary: These are consumers of our capital, our current and potential investees, co-investors and off-takers of our investments.

OUR BUSINESS MODEL AND CAPITALS

OUR BUSINESS MODEL AND CAPITALS

INPUTS

Financial Capital

All shareholder funds and debt capital.

Read more on our financial capital in our CFO's Review on page 84

Human and Intellectual Capital

Our people; comprising of specialist investment skills in Private Equity and Marketable Securities and a vertically integrated skillset within Real Estate.

Read more on our people on page 90

Social and Relationship Capital

Our relationships within Centum, and between the Company and its external stakeholders essential to delivering on our strategic plan.

Read more on our CSI contribution and how we create stakeholder value on pages 14-19 and 27-29 respectively

Natural Capital

Natural resources that we seek to use sustainably.

Read more on our sustainable approach to investments on pages 14-19

BUSINESS ACTIVITIES

Centum's business model is an integrator of financial capital, human and intellectual knowledge to invest in key sectors within our strategic focus. Central to this strategy is our ability to source capital and to efficiently deploy it profitably in the right investments.

Read more on our Private Equity, Real Estate and Marketable Securities business models in the Business Review section on pages 94 to 111

The business model illustrates how we work towards Sustainable Growth.

OUTPUTS	OUTCOMES	
Private Equity Portfolio - Capital appreciation - Cash returns *See more information on our Private Equity Portfolio on page 96*	**Debt and Equity Investors** Through a prudent investment policy, we deliver on continued net asset value growth year on year while complying with debt covenants.	**Total Assets** KES 71.6 billion **Net Asset Value** KES 52.6 billion **Dividends Paid** KES 799 million
Real Estate Portfolio - Capital appreciation - Cash returns - Community development *Read more on our Real Estate Portfolio on page 102*	**Employees** We offer our employees a diversified experience, career growth opportunities and an attractive reward proposition to secure a skilled and motivated workforce.	**Direct Employment** 2,785 employees across the Group
Marketable Securities Portfolio Contribution to company liquidity through investments in listed securities and fixed income instruments. *Read more on our Marketable Securities Portfolio on page 109*	**Government and Regulatory Bodies** We seek to pursue the highest level of compliance with government and regulatory institutions in all aspects of our operations.	**Compliance** No compliance issues during the year
Development Portfolio - Continued investments in assets that are still under development and will generate future returns - Community development *Read more on our Development Portfolio on page 100*	**Communities** We make economic and social contributions to the communities we operate in.	Our economic and social contributions are detailed in our Sustainable Investing on pages 14 to 19

OUR BUSINESS MODEL AND CAPITALS

Value Creation and Capital Trade-offs

FINANCIAL CAPITAL

Key Capital Inputs

- **KES 14,002 million** Long-term Debt
- **KES 52,600 million** Shareholder Funds

Outcomes

- **KES 799 million** in dividend payout to shareholders
- **KES 71,644 million** in Total Assets
- **KES 3,736 million** Cash generated from operations
- **8% Growth** in Shareholder Funds

Capital Trade-offs

Through the deployment of financial capital across the business units, we grew our asset base, as well as supported business development activities across key sectors. Within real estate, as we continued to develop infill projects and exploit natural capital, we target to reduce the impact of these activities by leveraging our sustainable approach to developments.

HUMAN AND INTELLECTUAL CAPITAL

Key Capital Inputs

- **2,785** employees across the Group

Outcomes

- **<1.0%** Voluntary Staff Turnover

Capital Trade-offs

In the short term, our investment in intellectual capital reduces our stocks of financial capital while boosting in the longer term the stocks of human, financial and social and relationship capital.

Key Capital Inputs

- **KES 23.6 million** cumulative CSI spend across Centum and its subsidiaries
- **KES 180 million** to rebuild the Mathari school in 2017
- **Relationships** with our key stakeholders and communities in which we operate

Outcomes

4x increase in classrooms
at Mathari Primary School

311 increased enrollment
to 1,156 at Mathari Primary School

152 scholarships
awarded to date in Vipingo

100 graduates
from the vocational training program in Vipingo

>2,000 job connections
on Ajiry

SOCIAL AND RELATIONSHIP CAPITAL

Capital Trade-offs

Engagement in corporate investments (CSI) activities increased our social and relationship capital at the expense of financial and human capital due to the time spent.

Key Capital Inputs

10,254 acres
in Vipingo, Kenya

389 acres
in Pearl Marina, Uganda

102 acres
in Two Rivers, Kenya

Outcomes

KES 3.3 billion
Increase in year-on-year gains on capital appreciation

30% green areas
Land dedicated to green spaces across all land banks

Preservation of indigenous trees in our developments

NATURAL CAPITAL

Capital Trade-offs

By adopting a sustainable construction approach, we have reduced the negative impact on renewable resources. This has and continues to be an important pillar across our developments at the expense of financial capital.

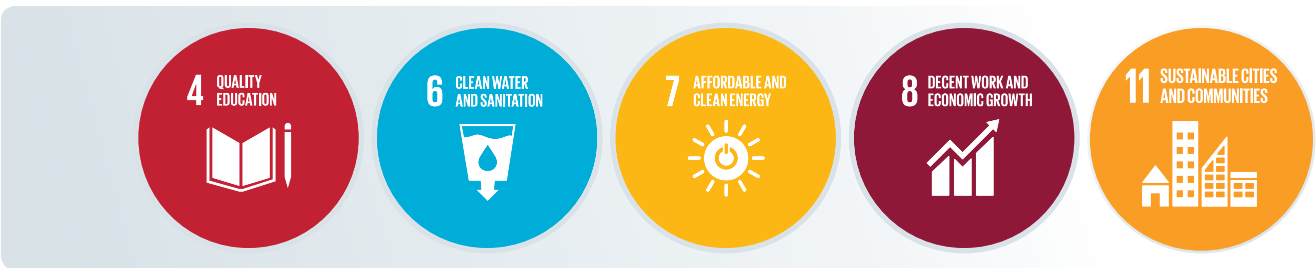
The ongoing construction continues to create employment opportunities, increasing our human capital, We continue to focus on driving economic and social value within our real estate developments.

SUSTAINABLE INVESTING

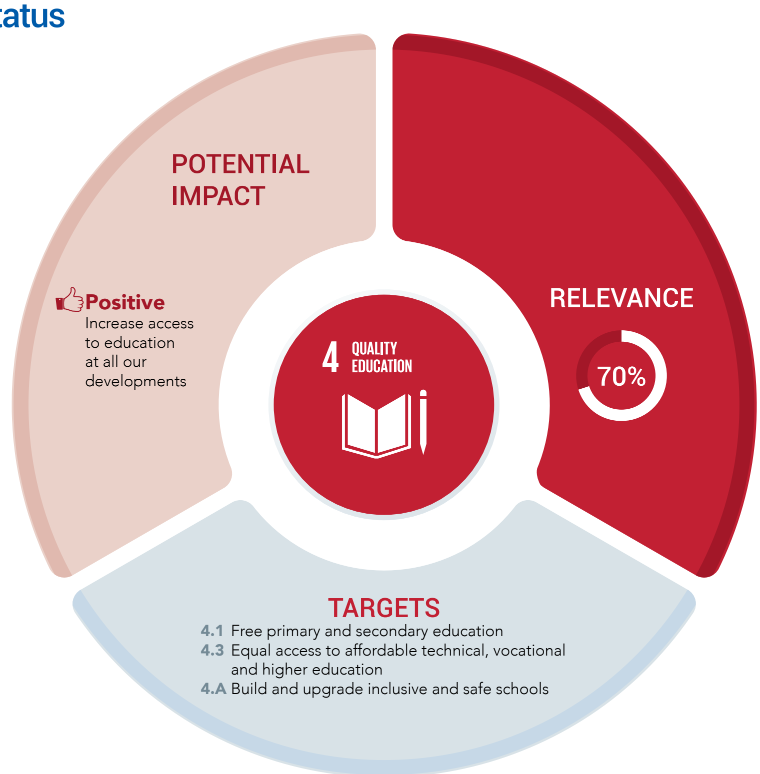
Alignment with the United Nations Sustainable Development Goals

Centum Group's contributions to the Sustainable Development Goals (SDGs) are based on a thorough assessment of the business risks and opportunities of the goals. Our aim is to ensure that our SDG activities are well planned and both relevant to, and aligned with, our business strategy. We have identified 5 of the 17 SDGs as most relevant to our business and stakeholders, and on which we can have the most impact. These include:

We also identified our potential impacts on these SDGs -both positive and negative. The process used to identify these SDGs and prioritize them for action was mapping the SDGs to our current primary investment and CSI activities. We also reviewed the 169 SDG targets to help identify connections between the goals and classified them according to a comparative level of relevance to our business.



SDG #4 Status



Upgrading of Learning Infrastructure in Vipingo and Mathari

Vipingo Development Ltd has committed to upgrading learning facilities within primary schools in Kilifi County. To date, we have put up new classrooms for two schools: Makonde and Timboni Primary schools at a total cost of KES 8 Million.

In 2017, Centum's Two Rivers Development Ltd, in collaboration with Nairobi City Council, surrounding community and others completed a CSI project to rebuild Old Mathari Primary School at a cost of over KES 180 million. The project increased the capacity of the school from 8 to 32 classrooms resulting in increased capacity from 845 students to 1,156 students. It also created employment opportunities for 18 new teachers in line with the increased number of students.

Provision of Scholarships

Centum Group provides at least 50 full scholarships every year to bright needy and eligible secondary school students from the Vipingo community who score 300 marks and above in Kenya Certificate of Primary Education. To date, we have awarded a total of 152 scholarships. We target to award 200 scholarships annually on a rolling basis.

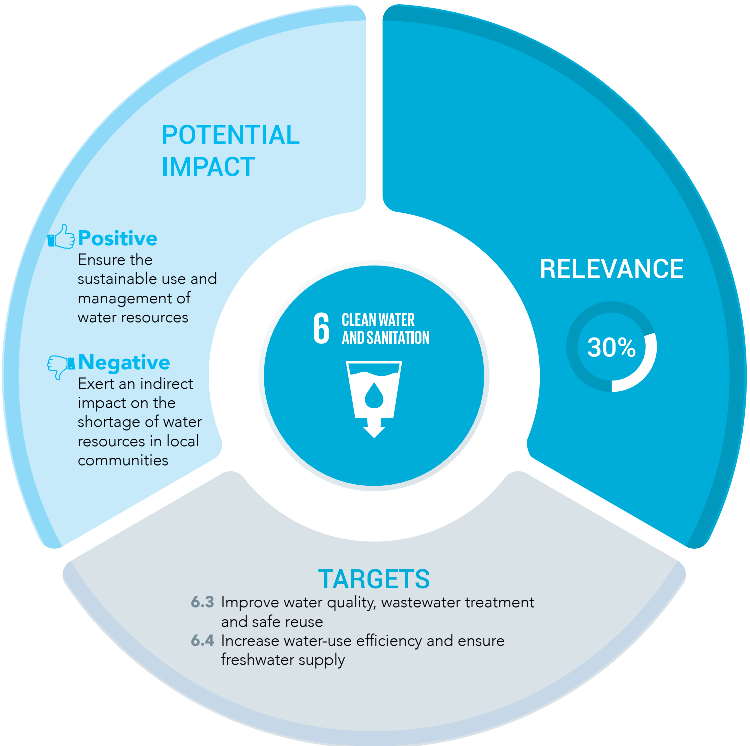
We also provide fully paid scholarship opportunities and refresher courses to eligible and qualified residents of the community who submit their application to join the vocational training facility. The scholarship opportunity is limited to one course and to date we have awarded 100 scholarships.

Support of Mathari Primary School

In 2018, Two Rivers and Centum Foundation teams marked the official launch of a long-term sports program with a Sports Day at the Two Rivers grounds. This is part of the ongoing support offered by Centum to the school and includes the automation of the administrative processes at Mathari Primary School.

SUSTAINABLE INVESTING

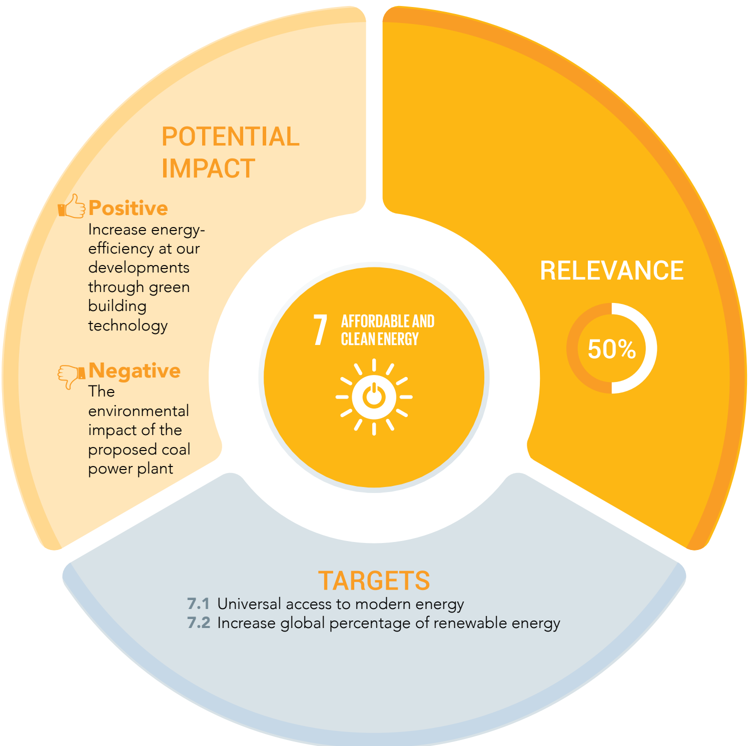
SDG #6 Status



Wastewater Management at Two Rivers

At Two Rivers, we have the region's largest reverse osmosis water treatment plant with capacity to treat 2 million litres of water per day. This reduces daily raw water consumption by 70% and allows for 80% of grey water to be recycled and treated to World Health Organisation standards.

SDG #7 Status



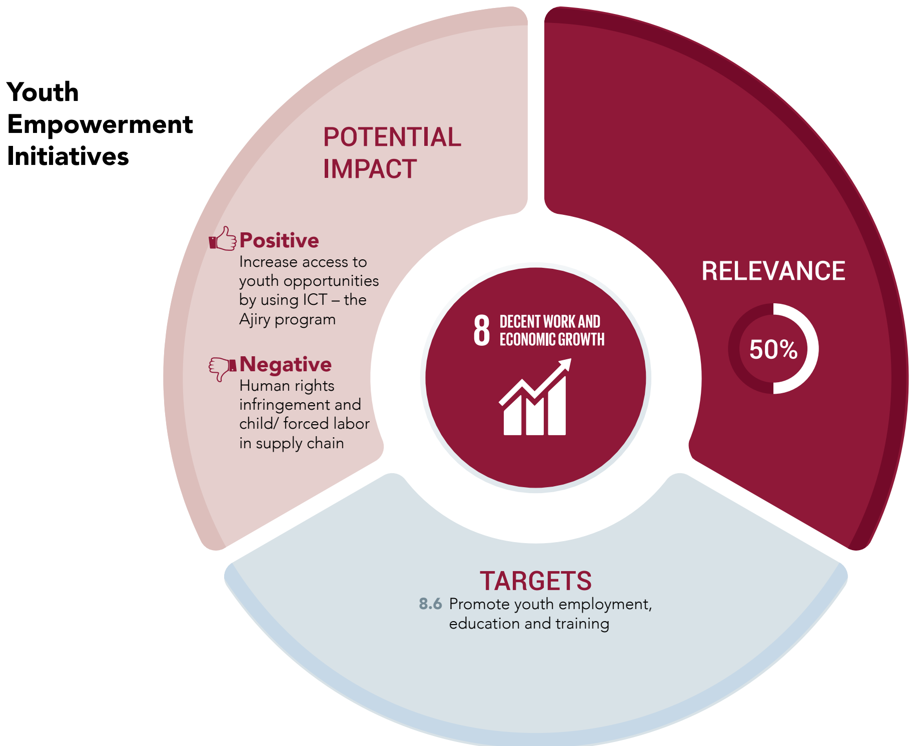
Green Energy at Two Rivers

Sustainability has been a key consideration in the development of the Two Rivers precinct, with an installed solar energy capacity of 1.2 MW. This complements the grid supply that is distributed by Two Rivers Power Company, a licensed electricity distributor. Annual savings are approximated at KES 28 Million from the use of solar power within Two Rivers Development. Additionally, the use of solar power reduces the amount of carbon dioxide emissions by 534.84 tonnes per annum.

Through the project company, Akiira Geothermal Limited, we are undertaking the development of a 140MW geothermal power plant in the Olkaria region of Nakuru County. The project will be undertaken in two phases, with the first phase involving the installation of 70MW.

Upon completion, the Akiira geothermal power plant will be connected to the national grid, sustainably unlocking the vast geothermal potential within Kenya's Rift Valley.

SDG #8 Status

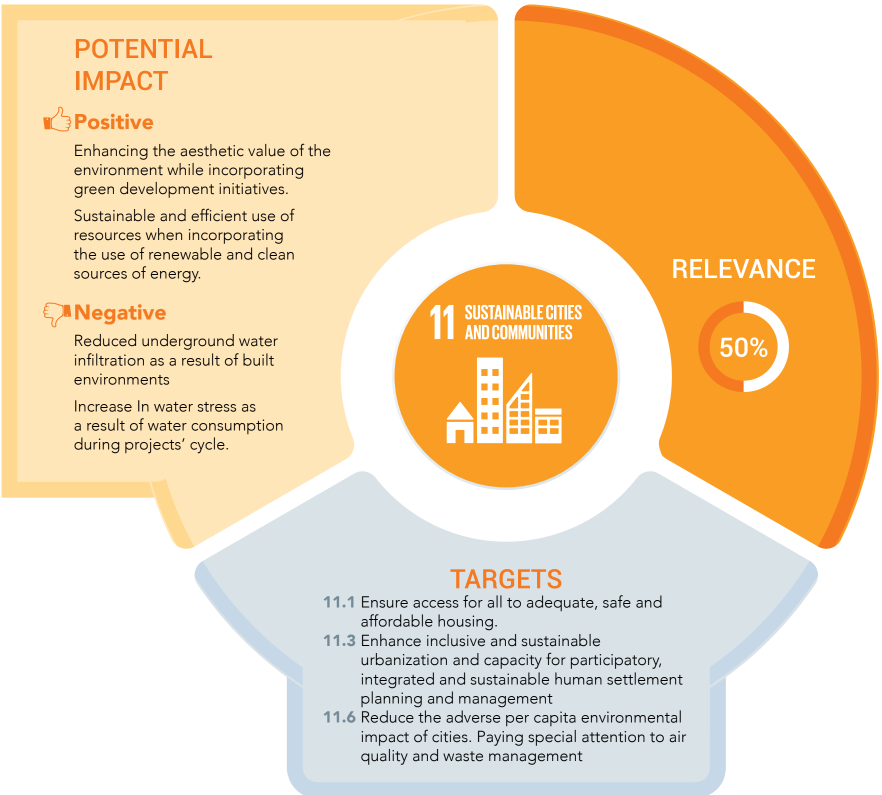


During the year, Tribus Security Group (TSG), a wholly-owned subisidary of Centum, entered into a Memorandum of Understanding with the National Youth Service (NYS) to hire 300 graduates annually. TSG will be working closely with NYS to ensure that the youth are deployed to its diverse job categories to ensure that opportunities are created to empower the youth. Additionally, another initiative launched through this MOU is the Ajiry platform which was developed to link employers with jobseekers while developing a track-record to promote youth employment. The second phase will involve development of Ajiry training centres that will promote education, training and onboarding onto the platform.

Under the Vipingo vocational training program, the first 2 cohorts of 50 students each graduated in September and December 2018. 30 of the graduates have since found gainful employment with four currently working for Vipingo Development Limited.

In line with SDG 8, the Centum Foundation through the Centum Entrepreneurship Program (CEP) identified and invested in ideas, start-up companies and existing small businesses. We offered seed funding and business support to the young entrepreneurs, nurtured them to grow their ideas and start-ups into well-established businesses. The CEP program was started in 2016 and to-date, we have invested over KES 30 million in 6 start-ups and small-scale businesses across various sectors ranging from e-commerce, edutech and FMCG.

SDG #11 Status



All master planned developments are required to have at a minimum 30% of the spatial area dedicated to green spaces to support improved quality of life and improve environmental compliance of our developments.

Sea Water Desalination in Vipingo

During the year ended 31 March 2019, we began construction of one of the biggest seawater desalination plants in the region with a capacity to supply 3 million litres of water per day. This will provide a reliable water supply to the development.

Sustainable Use of Power and Water at Two Rivers

18,000 Kilowatts of the power consumed at the Two Rivers precint is from the installed solar energy at the Two Rivers Lifestyle Centre rooftop.

Our main source of water at Two Rivers is from our treatment plant that has the ability to recycle and treat 300,000 litres of water per day.

Two Rivers has been classified as a Vision 2030 Flagship project owing to its positive impact to the economy through the creation of employment opportunities.

Future Action

Our future reporting on the SDGs will be using the 'SDGs Compass'. This reporting tool is developed by the Global Reporting Initiative (GRI), the UN Global Compact and the World Business Council for Sustainable Development (WBCSD) and is widely recognized as a leading strategic tool to guide business action on the SDGs. We target to carry out a stakeholder engagement exercise to fully understand our positive and negative impacts on the SDGs. We plan to increase our positive impacts and improve on the negative by setting clear SDG-related performance goals for our business.

Responsible Investing

Material Environmental, Social and Governance (ESG) risks are monitored and assessed in the course of our business operations. These material ESG risks are defined as those issues that are or have the potential to have a direct substantial impact on our ability to preserve or erode environmental and social value, as well as economic value for our stakeholders. This policy is regularly updated, as necessary.

Minimum ESG Standards

We seek to invest in businesses committed to;

a. Taking necessary measures to ensure equitable distribution of value across the supply chain in all its operations;

b. A cautious and responsible approach to environmental management of their business operations (and those of their supply chain) by making efficient use of natural resources and mitigating environmental risks and damage;

c. Respecting the human rights of their workers and of the people working in their supply chain;

d. Maintaining safe and healthy working conditions for their employees and contractors and for the people working in their supply chain;

e. Treating their employees fairly;

f. Upholding the right to freedom of association and collective bargaining.

g. Treating their customers fairly and respecting the health, safety and wellbeing of those affected by their business activities;

h. Upholding high standards of business integrity, avoiding corruption in all its forms and complying with applicable sanctions and anti-bribery, anti-fraud, anti-tax evasion and anti-money laundering laws and regulations; and

i. Implementing a strong corporate governance and risk management culture and to complying in form and substance with established best practice in corporate governance.

Centum Foundation

Centum Foundation is a non-profit company limited by guarantee and is a fully owned subsidiary of Centum Investments Company Plc. It was established in 2016 to mobilize and scale the Centum Group's existing corporate social investment (CSI) initiatives. The Centum Foundation's mission is "To facilitate Africa's most creative and sustainable solutions" and our vision is "To create sustainable programs that empower the community".

The Foundation centrally develops and manages CSI initiatives across the Centum Group.

Ajiry
we work

During the year we launched a web-based application, AJIRY. This progressive web application directly connects both employers and employees to interact effortlessly and conveniently. AJIRY also offers workforce sourcing solution for contractual, short-term or one-off jobs to employers providing the youth free access to job opportunities.

We intend to create more opportunities for direct employment and indirect employment; through the engagement of the informal sector.

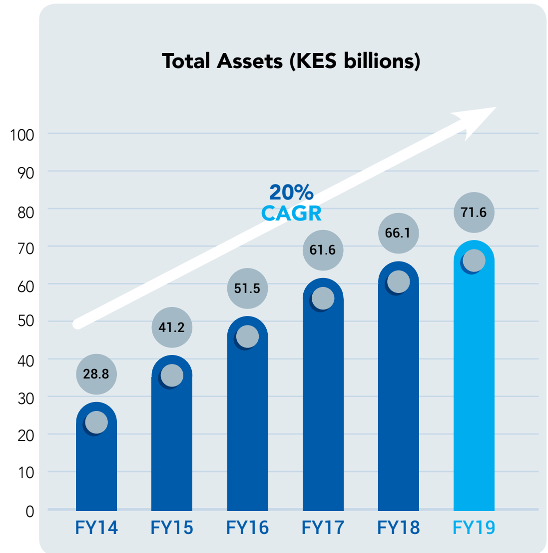
OUR STRATEGY AND KPIs

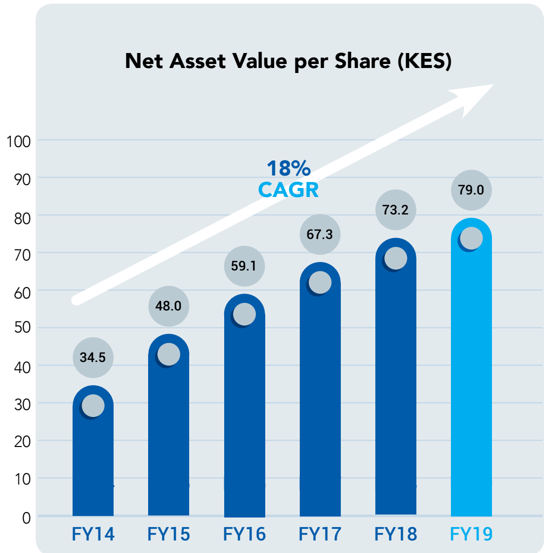
FY 2019 Performance Highlights

Total Return	Total Assets	NAV Per Share	Price Per Share
4.7 KES billion	71.6 KES billion	79.0 KES	32.0 KES

Five-Year Performance Highlights

	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Return					
Total Return (KES Mn)	4,713	4,677	6,160	7,376	9,003
Return on Opening Equity (%)	10%	10%	16%	23%	39%
Outperformance Relative to NSE 20 Share Index (%)	35%	-14%	38%	26%	31%
Cost Efficiency (%)	0.9%	1.3%	1.3%	1.7%	2.1%
Financial Position					
Debt (KES Mn)	16,145	14,843	14,656	10,475	7,569
Gearing (%)	30%	28%	27%	17%	12%
Share Price (KES)	32.0	44.5	36.5	45	64
Market Capitalization (KES Mn)	21,294	29,612	24,289	29,945	42,302





Centum 3.0 Review (2014-2019)

The year ended 31 March 2019 marked the last year of the Centum 3.0 Strategy Period. Key performance indicators during the Centum 3.0 strategic period are detailed below.

Return
19% average annualised return achieved compared to NSE average return of -3% over the same period

Focus
Active in six sectors (Real Estate, Power, Financial Services, FMCG, Agribusiness and Education).

Scale
Total assets of KES 71.6 billion as at 31 March 2019. 18% CAGR on NAV between FY14 and FY19.

Brand
Specialised teams in Private Equity, Real Estate and Marketable Securities.

Costs
Cost efficiency of 1.5% achieved

Key Achievements Over Centum 3.0

Exits

KES 36.2 billion
raised from full or partial exits from our investment portfolio, with realised gains of KES 24.3 billion.

Debt Fundraising

KES 10.2 billion
total of successfully raised two corporate bonds.

KES 4.2 billion
bond matured in September 2017 and was redeemed using internally generated funds.

KES 191 million
Additional cash received by investors in the Equity Linked Note (ELN) component of the bond.

Private Equity

31%
in overall portfolio return.

KES 13.0 billion
in exit proceeds.

Consolidation of 3 bottlers
to form Almasi Beverages Limited and acquisition of a majority stake.

Investment in new lines, operational efficiency and distribution channel optimisation have resulted in 4X EBITDA growth over the last 5 years.

Real Estate

29%
overall portfolio return

10,254 acres
acquired in Vipingo at an attractive entry price

Activation of all our 3 land banks
with strong pre-sale performance on in-fill projects.

Two Rivers
Development and Mall completion / launch in February 2017.

Marketable Securities

Realisations of KES 9.3 billion, with a gain of KES 3.3 billion.

OUR STRATEGY AND KPIs

Centum 4.0

Under the Centum 4.0 Strategy, we are creating an institution that consistently delivers value for its stakeholders while reducing the risk exposure under the prevailing economic environment.

Over the next five years, our focus is on cash annuity income and holding optimal liquidity reserves. Investments will be in cash generative assets with no further capital deployments in new development assets.

The key objectives for Centum 4.0 strategy are centered on five key pillars which are:

Financial Objectives

Return and Dividend Pay-out

Generate a minimum return on equity of 20% through value-creating activities.

Optimise dividend pay-out to the higher of 30% of the cash annuity income (excluding capital gains) and the previous year's dividend pay-out.

Capital Structure and Liquidity

Balance sheet strengthening through repayment of all long-term debt obligations (i.e. zero long-term debt capital structure) at Group level. All non-recourse debt will be taken at project/asset level.

Double the book-value of shareholders' funds to KES 100 billion by FY24.

Operating Costs

Maintain a maximum operating cost-to-cash annuity income ratio of 30%.

Non-Financial Objectives

Organizational Effectiveness

Ensure optimisation of Centum's operating model to support effective and efficient execution of its strategy including governance, structure, people, processes, technology and culture.

Portfolio Focus

Restructure portfolio to focus on three key business units, namely:

- Real Estate (Target asset allocation: 45-55%)
- Private Equity (Target asset allocation: 30-40%)
- Marketable Securities (Target asset allocation: 10-20%)

OUR OPERATING ENVIRONMENT

KEY MESSAGE

ECONOMY

ECONOMIC HEADWINDS CONTINUE AS THE COUNTRY EXPERIENCES GDP GROWTH.

As an investment firm, our performance is closely aligned to that of the economy within the region we operate.

The period under review was characterized by weakened economic activity, the depressed performance of securities and constrained performance.

Given the underlying operating environment, the drivers of performance across our three business units are set out on page 84 of the CFO's review.

REGULATION

REAL ESTATE POLICIES WILL CONTINUE TO BE A DRIVER OF GROWTH WITHIN THE SECTOR; FINANCIAL SERVICES WILL REMAIN HIGHLY REGULATED.

Private sector credit growth slowed down while capital costs increased, which has been the trend due to the tight lending restrictions imposed by commercial banks. The restricted lending is as a result of interest rate capping. This has adversely affected the performance of the real estate sector, as seen in the depressed uptake in the sale of land across our developments. However, despite this effect, we have experienced significant uptake in the sale of residential developments set out on page 107.

COMPETITIVE LANDSCAPE

INTENSE COMPETITION ACROSS PRIVATE EQUITY AND REAL ESTATE.

Our competitive landscape continues to evolve with a number of Private Equity funds and Real Estate investors and developers intensifying their focus on the Kenyan and East Africa market as a whole.

However, our positioning as the region's leading master developer and investment partner, our capacity to raise capital and our intellectual and human capital, allows us to compete effectively. Our current strategy; Centum 4.0 is underpinned on intensive research and competitor analysis to ensure that we focus on delivering value for our stakeholders.

CREATING STAKEHOLDER VALUE

WE AIM TO DRIVE QUALITY STAKEHOLDER ENGAGEMENT BY ENSURING THAT THERE IS CLARITY AND TRANSPARENCY ACROSS ALL MATERIAL ISSUES

We define our stakeholders as 'any person or group with direct interest, involvement or investment in an organisation who can affect the Company or its operations and who can be affected by our decisions or operations'. These include providers of capital (shareholders and financiers), the broader investment community, employees, government and regulatory bodies, communities in the areas we operate, suppliers and consumers of our products from the investee companies. We aim to proactively engage with all our stakeholders and in this regard drive quality stakeholder engagement by ensuring that there is clarity and transparency across all material issues.

CREATING STAKEHOLDER VALUE

STAKEHOLDER GROUP	OUR VALUE PROPOSITION	ENGAGEMENT RATIONALE	PRIMARY ENGAGEMENT
Debt and Equity Instrument Holders Local and international institutional and individual investors as well as fund managers and analysts.	**Delivery of sustainable return.**	**Principal providers of financial capital.**	Results presentations and company announcements; periodic reporting, investor meetings, and roadshows and other updates.
Employees All full-time and part-time employees of Centum.	**Attract, develop and retain quality employees.**	**Principal providers of intellectual capital.**	Staff townhalls, electronic staff communication, intranet and performance reviews driven by the HR department and business unit leaders.
Government & Regulatory Bodies Global and local public authorities and government agencies.	**Compliance with all regulatory frameworks.**	**Govern the operating environment in which we leverage all our capitals.**	Submissions, meetings and representation on various industry bodies.
Communities Local communities and organisations that impact or are impacted by the business	**Sustainable use of our capitals.**	**Directly impacted by our social and natural capitals.**	Direct engagement with local communities.

KEY MATTERS OF INTEREST IN FY19	OUR RESPONSES TO ISSUES, NEEDS AND CONCERNS IN FY19
› Ongoing engagement and communication on the Group's strategy. › Delivery of return to shareholders. › Continued compliance with debt covenants.	› Meetings and teleconferences with investors, analysts and fund managers. › Annual general meeting. › Investor updates and press releases. *Visit www.centum.co.ke/index.php/investor-relations for more information on our meetings, roadshows and updates*
› Career progression and advancement. › Increased communication. › Involvement in decisions.	› New job evaluation system with improved competency framework. › Increased management and leadership training. *Read more on the key initiatives carried out during the period under review on page 93*
› No regulatory issues were raised during the period under review.	› Continued compliance with all regulatory frameworks.
› Managing environmental and social risk related to our investment activities. › Applying our capitals to give back to the communities that are part of urban nodes › Adoption of green principles in Amu Power project. *Visit www.amupower.co.ke for more information on Amu Power and technology adopted for the plant.*	› Adoption of new Codes and Bills assented into Laws in the period. › Continued contribution to alleviating societal challenges. *Read more on how we include community engagement in our Sustainable Investing on pages 14-19*

RISK MANAGEMENT

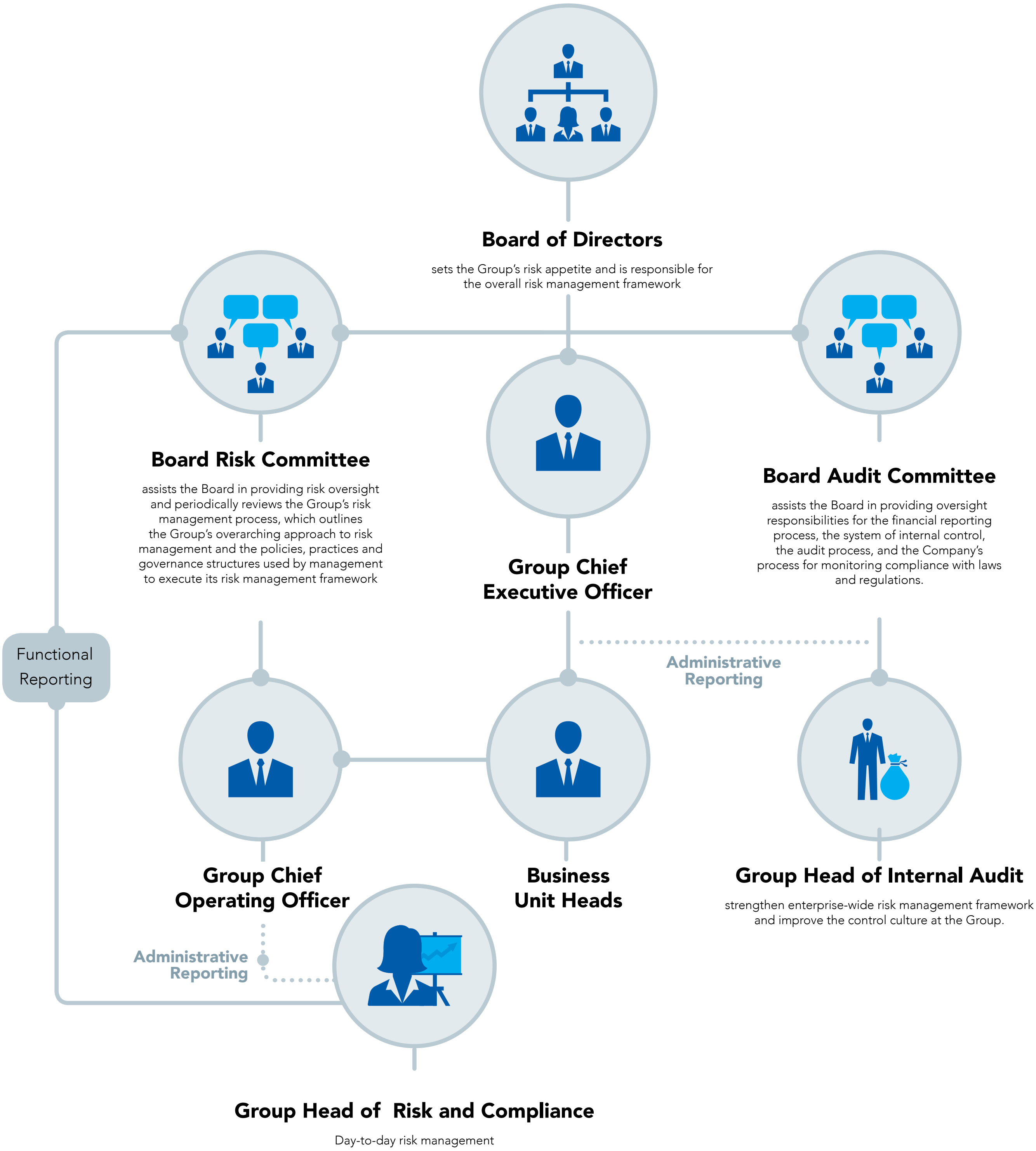
Adoption of an enterprise risk management-based approach has been central to the delivery of the Centum 3.0. Over the strategy period, we have improved in uncovering risks that could make or break our business model and defined our risk appetite. Going forward into Centum 4.0, we plan to further embed Enterprise Risk Management into the business processes and performance culture as we aim towards full maturity of our risk management program.

Our risk management process and integration with strategy

Centum is in the business of taking calculated risk in order to achieve its targeted returns for its shareholders and investors. The Board-approved strategic objectives determine the types and level of risk that Centum is exposed to in undertaking its core activities. The Group's risk management strategy is designed to support the delivery of the Group's strategy through risk identification, periodic assessments, risk mitigation plans and continuous monitoring.

The Board sets the Group's risk appetite and is responsible for the overall risk management framework. The Board is assisted in providing risk oversight by the Risk Committee which is composed of independent non-executive directors. The Risk Committee periodically reviews the Group's risk management process, which outlines the Group's overarching approach to risk management and the policies, practices and governance structures used by management to execute its risk management framework.

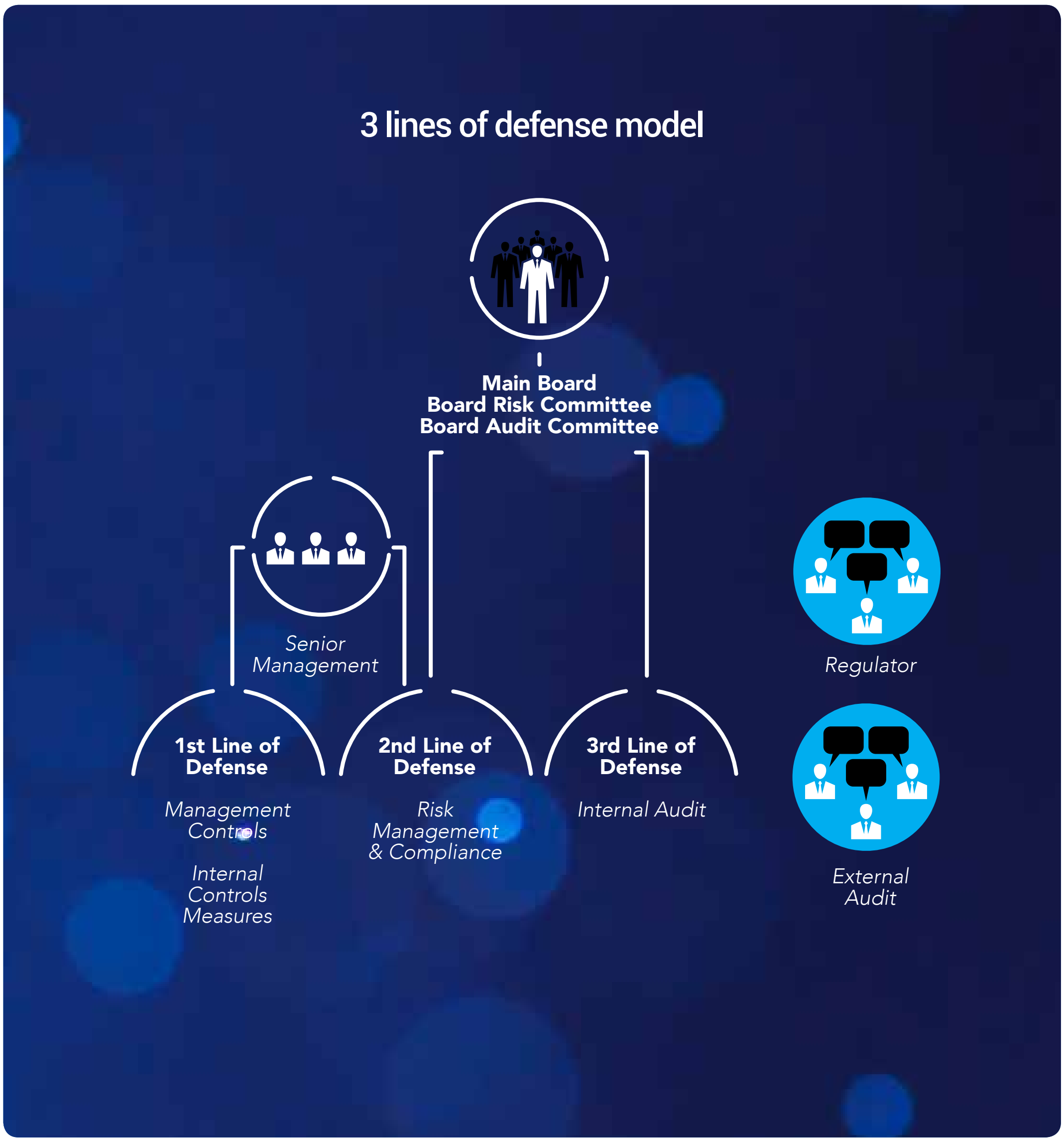
Risk Roles and Responsibilities



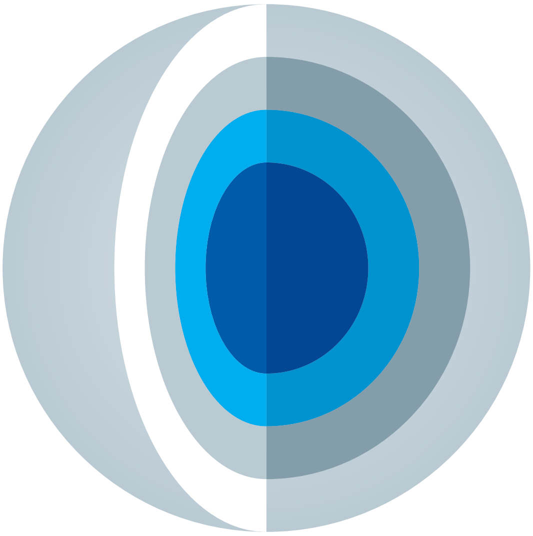
RISK MANAGEMENT

The Risk Committee has delegated the responsibility for day-to-day risk management to the Group Risk and Compliance Function, led by the Group Head of Risk and Compliance who reports functionally to the Committee and administratively to the Group Chief Operating Officer. The Risk Committee receives quarterly updates from the Group Risk and Compliance Function on the principal risks, associated mitigating actions and any changes to the Group's overall risk profile.

In line with international best practice, Centum has adopted the three lines of defense model and resourced the in-house Group Internal Audit Function during FY19. Previously, internal audit was outsourced to top audit firms with the experience and capability to provide assurance to management and Board on the adequacy and effectiveness of risk management, governance and the internal control environment at Centum. With the on-boarding of the Group Head of Internal Audit, who reports functionally to the Audit Committee and administratively to the Group Chief Executive Officer, Centum aims to further strengthen its enterprise-wide risk management framework and improve the control culture at the Group.



Link between Risk Appetite, Tolerance and Capacity



The Board has defined risk appetite as the aggregate level and type of risk that Centum, and its constituent business units, is willing to assume within its risk capacity to achieve its strategic objectives and business plan.

Risk Culture

The Group's risk culture is fostered through the internal initiatives conducted jointly by the Group Risk and Compliance and HR function. These initiatives involve but are not limited to staff sensitization on key risk areas, employee sign-off on key policies such as the Code of Ethics and Business Conduct, assessment of risk management initiatives carried out at individual employee level during quarterly performance appraisals and periodic compliance checks on adherence to policies and procedures.

The Group's whistleblowing policy is designed to enable management to detect at an early stage suspected fraudulent, unethical or malicious conduct and embed a positive risk-management culture among employees.

In the following sections, we outline how we control and manage the risks in our business. We highlight the principal risks to the business, their evolving profile during the year, our assessment of their potential impact to our business and how we responded to them.

Principal Risks

Principal risks are the key risks which have the potential to materially affect the achievement of the Group's strategic objectives and impact our financial performance and brand reputation. These risks are under active and regular review by both management and the Board.

The key risk categories that the Group is exposed to were identified and mapped to the Centum 3.0 strategic objectives for alignment. The Board-set risk appetite, which is outlined in the Group Risk Appetite Framework, took into consideration the unacceptable outcomes to the Group from the occurrence of key risk events.

Key Risks Affecting the Company

Key Risk Category	Risks in FY19	Link to Strategic Objective	Potential Impact
Exit Risk	With 46% of our portfolio invested in Private Equity and 45.8% in Real Estate, Centum is faced with the risk of generating a larger proportion of its returns in the form of unrealized gains as opposed to cash income.	Return	Liquidity strain to the business to meet ongoing cash obligations
Operational Risk	Strategy execution is driven by the quality of people hired and the effectiveness of supporting processes and systems. Centum was faced with the risk of having few staff with sufficient knowledge, skill-set and experience to lead the implementation of strategic initiatives at portfolio company level, which to an extent contributed to Key Man Risk at senior management level.	Brand Return	Unmet strategic targets to investors and shareholders
Regulation Risk	In FY19, we faced increased regulatory risk in the context of our Real Estate portfolio in Kenya. The crackdown by National Environmental Management Agency (NEMA) on structures sitting on wetlands, which led to the demolition of key establishments across Nairobi brought our investment in Two Rivers Development (TRDL) into the regulator's focus. However, based on the existing approvals obtained from NEMA for the masterplan, TRDL is in compliance with the regulatory requirements on development activity on riparian reserves of a minimum of 6 metres from the banks.	Brand	• Lower investor and market confidence • Fewer strategic partnerships
Reputational Risk	Centum's reputation as a market leader in investments has remained strong over the year with no adverse mentions in unethical business conduct, corruption and bribery scandals. However, the mention of Sidian Bank, one of our Private Equity portfolio companies, involvement as one of the commercial banks in the National Youth Service scandal unearthed the need for tighter scrutiny by the Group of brand integrity at portfolio company level.	Brand	• Reputational damage • Loss of capital investment
Investment Risk	Underperformance of some of the portfolio companies in the Private Equity portfolio due to unfavorable industry-specific factors.	Return Focus Scale	• Reduction in NAV and realization potential • Lower investor and market confidence
Financial Risk	The Group's activities expose it to mainly currency and interest rate risks as a result of holding foreign subsidiaries, foreign denominated borrowings as well as potential interest rates volatility in the operating environment.	Return Costs	• Higher interest costs and foreign exchange losses

Risk Management & Mitigation

Over the year management completed the exit of GenAfrica at a price of KES 2.3 bilion which plugged in additional cash to the business as well as generated a return to investors. Subsequent to the year-end, management entered into an agreement to sell our shareholding in Almasi Beverages and Nairobi Bottlers Limited.

Recruitment of key personnel across the business with experienced backgrounds in their areas of expertise. Some of the most notable hires have been the Group Legal Director, Group Operations Director, Head of Talent, HR Business Partner, Real Estate Managing Director, Investment Director, Group Head of Internal Audit who have championed various process improvements within their functions.

We engaged Water Resources Authority (WRA) to conduct a detailed riparian zone pegging exercise at Two Rivers and they found us to be fully compliant.

For future projects within the development we purpose to pro-actively engage WRA to conduct an independent re-pegging exercise to guarantee full compliance.

Resourcing of the Investor Relations function whose mandate is to monitor Centum's brand equity across the Group.

Adopting a zero-tolerance policy on any conduct that would ultimately attract adverse publicity and a negative impact to Centum's brand.

Active portfolio management between the respective business units and portfolio companies to track the businesses that are off-target on performance/strategy achievement and bring them back on course.

To manage interest rate risk, the Group has hedged against adverse fluctuations in interest rates. To manage foreign exchange risks, the Group seeks to match foreign denominated liabilities with foreign denominated assets. The Group has foreign subsidiaries whose assets are exposed to foreign currency translation. This risk is managed through borrowings denominated in the relevant foreign currencies to the extent that such funding is available on reasonable terms in the local capital markets.

Risk appetite limits have been defined per key risk category and the key risks assessed using measurable key risk indicators that were developed jointly with management who are the risk owners. The key risk categories are prioritized based on the likelihood of occurrence and impact to the Group in the context of the set risk appetite limits. The principal risks which are in breach of their risk appetite limits are escalated to management for immediate action, reported to Board and tracked regularly by the Group Risk and Compliance Function.

RISK MANAGEMENT

The top risk exposures at the individual business lines over the year are captured in the table below:

	Key Risk Category	Risk Description	Potential Impact	Risk Management and Mitigation
Private Equity	Exit Risk	The risk of lower realizations from exits due to unfavorable industry/private equity market dynamics or lack of credible investors.	› Lower cash proceeds redistributed to the Group. › Increased competition from other private equity funds.	Management identifies various exit routes for each portfolio asset that are marked as an exit.
Real Estate	Market Risk	Risk exposure to money laundering, terrorism financing and fraud/ bribery through buyers of our Real Estate assets who may be politically exposed persons and/or indirect purchasers.	› Regulatory penalties and fines › Litigation › Reputational damage on the Centum Real Estate brand and Centum brand	Reinforcement of controls within the Centum Real Estate sales team not to collect any cash deposits/sales. Re-training of the sales force against common money laundering practices within Real Estate.
Marketable Securities	Investment Risk	The risk that Centum's investment into the Marketable Securities Portfolio is unlikely to meet the target return levels as a result of lower returns/ underperformance from its underlying investments.	› Unmet shareholder expectations on return.	Adoption of a long-term investment horizon with close and continuous market monitoring.


25
20
15
10
5
0
01/01

CHAIRMAN'S STATEMENT

The financial year ended 31 March 2019 marked the end of the Centum 3.0 Strategy Period. Since commencing that Strategy Period in April 2014, the Group has delivered demonstrable value for its shareholders and the communities that we operate in.

Despite strong headwinds in the operating environment, the Company grew total assets from KES 28.8 Billion at the start of the Strategy Period to KES 71.6 Billion as at 31 March 2019. This represents a compounded annual growth rate of 20%. Net asset value per share grew from KES 34.50 as at April 2014 to KES 79.0 as at 31 March 2019.

A key milestone within the 3.0 strategic period was the redemption of our KES 4.2 billion bond that was maturing in September 2017. This was a significant achievement considering that the Company had KES 7.3 billion in aggregate of maturing debt in a year characterized by an economic downturn and market liquidity constraints.

Dividend Payment

The Board of Directors has recommended the payment of a dividend equivalent to KES 1.20 per share for the financial year ended 31 March 2019, similar to the 2018 payout. This is in line with the Company's dividend policy, which sets the dividend payout at the higher of the prior year payment or 30% of annual recurrent income.

Strategic Focus

Centum remains committed to our mission of creating real, tangible wealth.

Your Board is the custodian of the Group's strategy. In keeping with this role, working with the Boston Consulting Group (BCG), we carried out a comprehensive review of Centum 3.0 to glean appropriate lessons to carry into the new Strategy Period.

BCG also helped us in the articulation and formulation of Centum 4.0, which is predicated on five strategic pillars, namely:

- Return and dividend payout;
- Capital structure and liquidity;
- Operating costs;
- Portfolio focus; and
- Organisational effectiveness.

As we embark on the new Strategy Period, we believe that focusing our effort on the five strategic pillars will unlock significant value for the Shareholders and indeed the stakeholders, and our outlook is optimistic.

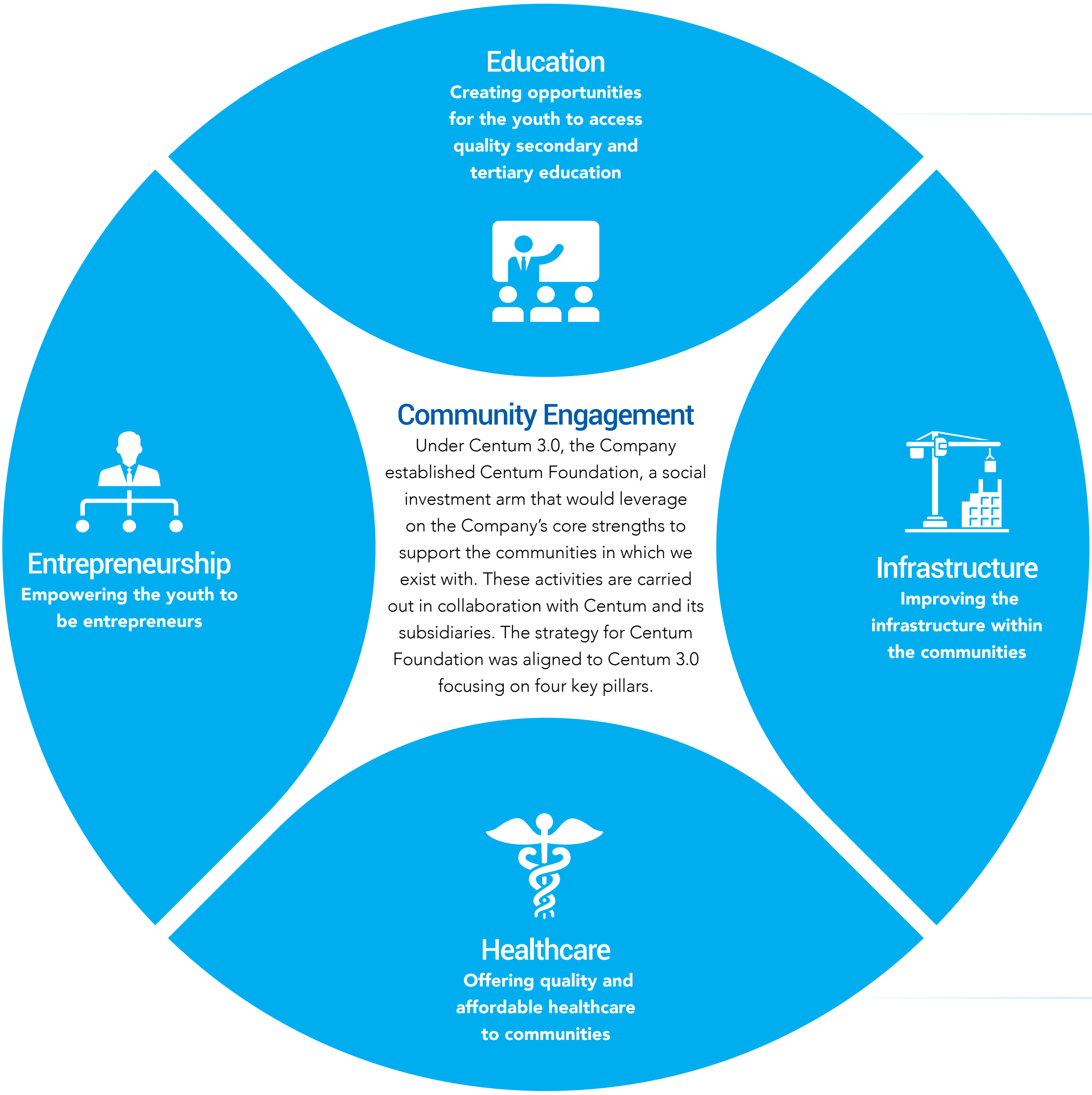
Corporate Governance

Corporate Structure

In line with Centum 4.0 our strategy around governance has changed from a management model to a parenting model. In this model the Company is set up as an allocator of capital, setting clear return parameters to the allotees.

The first step in this change of approach was to restructure the portfolio into three key business units with distinct legal entities, namely:

- Centum Development Company Limited to carry on the Real Estate business;
- Centum Capital Partners Limited to carry on the Private Equity business; and
- Nabo Capital Limited to manage the Marketable Securities Portfolio.



Governance Assessments

In line with the requirements of the Code of Corporate Governance for Issuers of Securities to the Public, 2015 and in line with Centum's commitment to the highest governance standards, the Company has been subjected to governance audits which evaluate the Company's Governance mechanisms and flag any flaws or breaches in the processes.

We are pleased to announce that the Governance Auditors have consistently been satisfied with the governance structures within the Company. The Governance Auditors issued an unqualified opinion for the year ended 31 March 2019, consistent with previous ratings in the past.

We as a Board remain committed to improving our governance practices and will continue to implement procedures that exceed the relevant standards to steer our Company to even greater heights. The areas of improvement from the previous years' governance audit are summarized below:

a) The Board either directly or through its various committees oversaw the revamp of various Group policies such as the Centum Group HR Policy. The Board also oversaw the revamp of its Committees' terms of reference.

b) The Company was able to prepare and disclose the Directors' remuneration report, highlighting remuneration that was paid out to its Directors' both Executive and Non-Executive Directors.

At the start of the strategic period, the focus was to offer seed funding and business support young entrepreneurs, creating a platform for them to grow and scale up their businesses. This was carried out through the Centum Entrepreneurship Program which was started in 2016 and to-date, invested over KES 30 million in start-ups and small-scale businesses across various sectors. In line with our goal of enabling entrepreneurship, we also established CreateIn48, a challenge seeking entrepreneurs who could execute an idea and turn a profit in 48 hours. This saw us support ventures that have since experienced significant traction to scalable businesses.

The objective within this pillar was to deliver quality and affordable healthcare to communities by leveraging on a healthcare operator. However, given that we were unable to close investments in healthcare, the objective was not attainable.

Vipingo Development Limited launched an annual scholarship fund in January 2017 to provide at least 50 scholarships to needy students from Kilifi County in transition to secondary education. To-date, we have awarded 152 scholarships. The scholarship program also provided for mentorship workshops in Kilifi carried out by Centum group employees.

Additionally, Vipingo in partnership with Arc Skills provide vocational skill development in Vipingo on courses such as masonry, plumbing, among others. The first cohort of 50 students graduated in September 2018 and the second cohort in December 2018. All graduating students are currently working within the projects run by Vipingo Development.

We continued our support to various schools including Alliance High School through various sponsorships such as the annual Classic Run and Charity Golf Tournament.

Two Rivers Development in collaboration with the Nairobi City County Government took on to rebuild Old Mathari Primary School in December 2014. The new school was officially launched in July 2017 and has a tuition block with 36 classrooms, administration offices and staff rooms, a social hall, a dining area, a kitchen, washroom facilities and separate blocks, creating a conducive environment for over 1,000 learners. In line with our commitment to support Mathari Primary School, we are in the process of contributing to the automating the administrative process and have procured an Enterprise Resource Planning system and donated laptops as well.

We also invested in construction of 6 classrooms for Timboni and Makonde Primary Schools, both located in Kilifi County.

Still on the issue of validation of the Company's governance standards, a comprehensive Legal and Compliance Audit was conducted by a leading law firm, M/s KN Law LLP which saw them issue the Company with an unqualified opinion.

Through the Centum 4.0 Strategy Period the Board will continue to champion a devolved governance structure with its role restricted to strategic direction and oversight with the management teams of the various subsidiaries dealing with the day to day running of their portfolio companies.

Outlook

As we embark on the Centum 4.0 Strategy Period, we are optimistic on the growth and success prospects of the Company. We are convinced that the five pillars of the Strategy, and especially the portfolio focus and organisational effectiveness pillars will channel our efforts to achieve the projected growth and deliver the stakeholders' return objectives.

Dr. Donald Kaberuka

Chairman, Board of Directors

TAARIFA YA MWENYEKITI

Washika dau wapendwa,

Mwaka wa fedha uliomalizika Machi 31, 2019, uliashiria mwisho wa kipindi cha mkakati Centum 3.0. Tangu kipindi hicho cha mkakati kilipoanza mnamo Aprili, 2014, shirika limeongeza thamani inayobainika kwa wenyehisa wake na pia jamii ambamo tunaendeshea biashara.

Ingawa mazingira ya shughuli zetu za biashara yalikabiliwa na changamoto nyingi, kampuni iliongeza mali yake ya jumla kutoka KES 28.8 bilioni katika mwanzo wa kipindi cha mkakati hadi KES 71.6 bilioni kufikia Machi 31, 2019. Kiwango hicho ni sawa na ukuaji wa asilimia 20 kila mwaka. Thamani halisi ya hisa iliongezeka kutoka KES 34.50 mnamo Aprili 2014 hadi KES 79.0 kufikia Machi 31, 2019.

Tukio muhimu katika mwaka uliokamilika Machi 31, 2018, ni kukombolewa kwa hati ya ukopeshaji ya KES 4.2 bilioni yenye riba isiyobadilika ambayo ilifaa kulipiwa Septemba 2017. Hiyo ilikuwa ni hatua muhimu ikitiliwa maanani kwamba kampuni ilikuwa na deni la jumla ya KES 7.3 bilioni lililofaa kulipwa katika mwaka ambao hali ya kiuchumi haikuwa nzuri na pesa zilikuwa haba katika soko.

Malipo ya mgawo wa faida

Bodi ya Wakurugenzi imependekeza malipo ya mgawo wa faida wa KES 1.20 kwa kila hisa kwa mwaka wa fedha uliokamilika Machi 31, 2019, kiasi ambacho ni sawa na malipo ya 2018. Malipo hayo yanatolewa kuzingatia sera ya kampuni ya mgawo wa faida ambayo imeweka malipo ya mgawo huo yawe ya juu kuliko kiwango cha mwaka uliopita au asilimia 30 ya mapato ya kawaida ya kila mwaka.

Mtazamo wa mpango wa mkakati

Centum imejitolea ipasavyo kwa wito wake wa kuunda utajiri; utajiri wa mali inayoonekana.

Bodi yenu ndiyo mtunzaji na mwangalizi wa mpango wa mkakati wa kampuni. Ndiposa katika kuzingatia wajibu huo na kwa ushirikiano na Boston Consulting Group (BCG), tuliufanyia mpango wa mkakati Centum 3.0 ukaguzi mpana kwa lengo la kutafuta mafunzo yafaayo kuendelezwa katika kipindi kipya cha mpango wa mkakati.

BCG walitusaidia pia kueleza kwa ufasaha na kuandaa mpangp wa mkakati wa Centum 4.0 ambao una nguzo tano muhimu za kimakakati, nazo ni:

- Mtazamo wa orodhafedha au dhamana;
- Faida na malipo ya mgawo wa faida;
- Muundo wa mtaji na ukwasi;
- Gharama za uendeshaji shughuli za kampuni; na
- Uthabiti wa shirika.

Huku tukianzia msimu mpya wa mpango wa mkakati, tunaamini kwamba tukielekeza juhudi zetu kwa nguzo hizo tano muhimu za kimkakati, tutapatia wenyehisa wetu na washikadau wote thamani muhimu. Kadhalika, tuna matumaini makubwa ya siku zijazo.

Udhibiti wa shirika

Muundo wa shirika

Tukizingatia Centum 4.0, mkakati wetu kuhusu udhibiti wa shirika umebadilika kutoka kwa mtindo wa usimamizi na kuwa mlezi. Chini ya mtindo huu, kampuni inashika jukumu la mgawaji wa mtaji, huku ikibainisha viwango wazi vya mapato kwa wote waliogawiwa mali.

Hatua ya kwanza katika mtindo huu uliobadilika ni kupanga upya orodhafedha au dhamana na kuwa na vitengo vitatu muhimu na huru kisheria vya kibiashara, navyo ni:

- Centum Development Company Limited kuendesha biashara ya mali isiyohamishika;
- Centum Capital Partners Limited kuendesha biashara ya kampuni binafsi ya hisa zisizo na riba ya kudumu; na
- Nabo Capital Limited kusimamia orodhafedha ya amana zinazoweza kuuzika.

TAARIFA YA MWENYEKITI

Elimu
Kutoa nafasi kwa vijana za kupata elimu bora ya sekondari na vyuo.

Ujasiriamali
Kuwawezesha vijana kuwa wajasiriamali.

Ushirikiano na jamii
Chini ya Centum 3.0, Kampuni ilianzisha Wakfu wa Centum, shirika la kushirikiana na jamii tunamoendeshea biashara, shughuli ambayo ni nguzo muhimu ya kampuni. Wakfu huendesha shughuli za jamii ukishirikiana na Centum na matawi yake. Mkakati wa Wakfu wa Centum uliambatana na mpango wa Centum 3.0 uliogemea nguzo nne muhimu:

Muundo msingi
Kuimarisha muundo msingi kwa jamii.

Afya
Kutoa huduma za afya za kiwango cha juu na nafuu kwa jamii.

Tathmini za udhibiti

Kuambatana na kanuni za Mwongozo wa Usimamizi wa Mashirika kwa Watoaji Amana kwa Umma wa 2015, na kuzingatia kauli ya Centum kutekeleza viwango

vya juu iwezekanavyo vya udhibiti wa shirika, kampuni imekuwa ikifanyiwa ukaguzi wa usimamzii unaoangazia taratibu za uangalizi wa shirika na kushauriwa kuhusu dosari zo zote au ukiukaji wa kanuni.

Tuna furaha kuwatangazia kwamba wakaguzi wa udhibiti wameridhishwa kila mara na taratibu za uangalizi zinazozingatiwa na kampuni. Wakaguzi wa udhibiti walitoa uamuzi usio na masharti kwa mwaka uliomalizika Machi 31, 2019, sawa na uamuzi wa awali wa ukaguzi sawa.

Tukiwa Bodi tumeazimia kuimarisha taratibu za usimamizi wetu wa shirika na tutaendelea kutekeleza kanuni ambazo ni za juu zaidi hata kuliko kanuni muhimu kwa lengo la kufanikisha zaidi kampuni yetu. Shughuli ambapo tulipiga hatua kubwa ikilinganishwa na ukaguzi wa mwaka uliotangulia zimeelezwa hapa chini:

a) Bodi, moja kwa moja au kupitia kwa kamati tofauti, ilisimamia kutengeneza upya sera za shirika kama vile Sera ya Wafanya Kazi ya Kundi la Centum. Kadhalika, Bodi ilisimamia uandalizi mpya wa masharti ya utendaji kazi wa kamati zake.

b) Kampuni ilitayarisha na kutoa ripoti ya malipo kwa wakurugenzi wake wote.
- Tukiwa bado katika suala la kuthibitisha viwango vya uangalizi vya kampuni, ukaguzi mpana wa sheria na uzingatiaji masharti, kanuni na sharia, ulifanywa na kampuni maarufu ya

Mwanzoni mwa kipindi cha mpango wa mkakati, shabaha yetu ilikuwa ni kutoa pesa na kuwaunga mkono wajasiriamali vijana ili kuwawezesha kuanzisha na kuendesha biashara, na hivyo basi kuwapatia jukua la kukuza na kuimarisha biashara zao. Mradi huu ulitekelezwa kupitia kwa Mpango wa Ujasiriamali wa Centum ulioanzishwa 2016 na hadi sasa, zaidi ya KES 30 milioni zimewekezwa kwa biashara mpya na nyingine ndogo katika sekta mbali mbali. Kwa kuzingatia shabaha yetu ya kufanikisha ujasiriamali, tulizindua pia CreateIn48, shindano la kuwatafuta wajasiriamali ambao wangetekeleza wazo la kibiashara na kupata faida katika saa 48. Shindano hili lilituwezesha kusaidia biashara ambazo zimeendelea kunawiri.

Lengo la nguzo hii lilikuwa ni kutoa huduma za kiwango cha juu na nafuu za afya kwa jamii kupitia kwa shirika la afya. Hata hivyo, hatukuweza kufikia makubaliano ya kuwekeza katika huduma za afya na lengo hili halikutimia.

Mnamo Januari 2017, Vipingo Development Limited, ilizindua hazina ya kutoa misaada ya masomo kila mwaka kusaidia angalau wanafunzi wahitaji 50 katika Kaunti ya Kilifi kupata elimu ya sekondari. Kufikia sasa, wanafunzi 152 wamenufaika na misaada hiyo ya masomo ya jumla ya zaidi ya KES 10 milioni. Mpango huo wa misaada ya masomo uliwawezesha pia wafanya kazi wa Kundi la Centum kuandaa warsha za mashauri na nasaha katika Kilifi.

Kadhalika, Vipingo, kwa ushirikiano na Arc Skills, ilianzisha mpango wa kuimarisha mafunzo ya kiufundi ya kozi ambazo ni pamoja na uashi na ufundi bomba. Kundi la kwanza la wanafunzi 50 lilifuzu Septemba 2018 na la pili Desemba 2018. Wote waliohitimu wanafanya kazi kwenye miradi inayosimamiwa na Vipingo Development.

Tumeendelea kusaidia shule mbali mbali, ikiwa ni pamoja na Shule ya Upili ya Alliance, kupitia kwa misaada ya masomo ikiwa ni pamoja na kufadhili shindano la kila mwaka la Old Boys Club Golf Tournament.

Two Rivers Development ikishirikiana na Serikali ya Kaunti ya Jiji la Nairobi ilijenga upya Shule ya Msingi ya Old Mathari kuanzia Desemba 2014. Shule mpya ilizinduliwa rasmi mnamo Julai 2017 na ina madarasa 36, afisi za wasimamizi na pia za walimu, ukumbi, eneo la maakuli, eneo la jikoni, bafu na vyoo na pia majengo mengine na hivyo kuwapatia wanafunzi zaidi ya 1,000 mazingira muafaka kwa masomo. Kuzingatia azma yetu kusaidia Shule ya Msingi ya Old Mathari, tupo kwenye harakati za kuweka mtambo wa kisasa wa kuunganisha shughuli zote za vitengo tofauti vya shule kwa lengo la kurahisisha usimamizi na utekelezaji wa majukumu yote ya chuo hicho. Tumetoa pia kompiuta kadhaa.

Tulijenga pia madarasa sita katika shule za msingi za Timboni na Makonde za Kaunti ya Kilifi.

wanasheria, M/S KN Law LLP. Wakaguzi hao walitoa uamuzi usio na masharti kwa kampuni yetu.

Kampuni ikiendelea kutekeleza mpango wa mkakati Centum 4.0, Bodi itazidi kutilia mkazo mfumo wa ugatuzi katika usimamizi wajibu wake mkuu ukiwa ni mwelekeo wa kimkakati na uangalizi huku nazo timu za wasimamizi katika matawi mbali mbali zikishughulikia masuala ya kila siku ya kampuni zao.

Matarajio

Huku tukiendelea kuutekeleza mpango mpya wa mkakati wa Centum 4.0, tuna matumaini makubwa kwamba Kampuni yetu itazidi kukua, kustawi na kufanikiwa. Tuna imani kwamba nguzo tano za kimkakati, na hasa mtazamo wa orodha ya amana na uthabiti wa shirika, zitawezesha juhudi zetu kufikia kiwango cha ukuaji tunachokitarajia na kuwapatia washika dau wetu mapato.

Dr. Donald Kaberuka

Chairman, Board of Directors

CORPORATE GOVERNANCE

Board of Directors

Dr. Donald Kaberuka
CHAIRMAN

Age: 67
Appointment Date:
October 2016

Mrs. Susan Wakhungu-Githuku

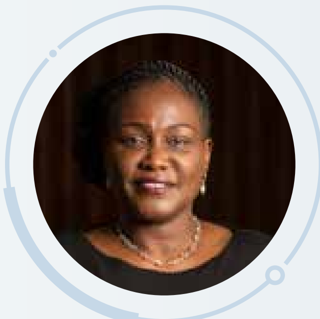
Age: 58
Appointment Date:
September 2017

Dr. Christopher J. Kirubi
SIGNIFICANT SHAREHOLDING

Age: 78
Appointment Date:
December 1997

Dr. James Mworia
GROUP CEO

Age: 41
Appointment Date:
October 2008



Dr. Laila Macharia

Age: 48
Appointment Date:
October 2013

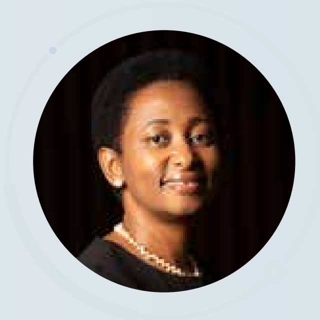
Executive

Non-Executive

Independent

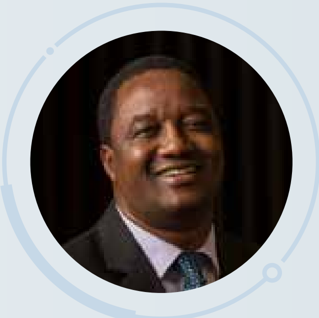
Mrs. Mary Ngige

Age: 47
Appointment Date:
September 2016



Mrs. Catherine Igathe

Age: 45
Appointment Date:
September 2016



Dr. Moses Ikiara

Age: 53
Appointment Date:
November 2017

Hon. William Byaruhanga

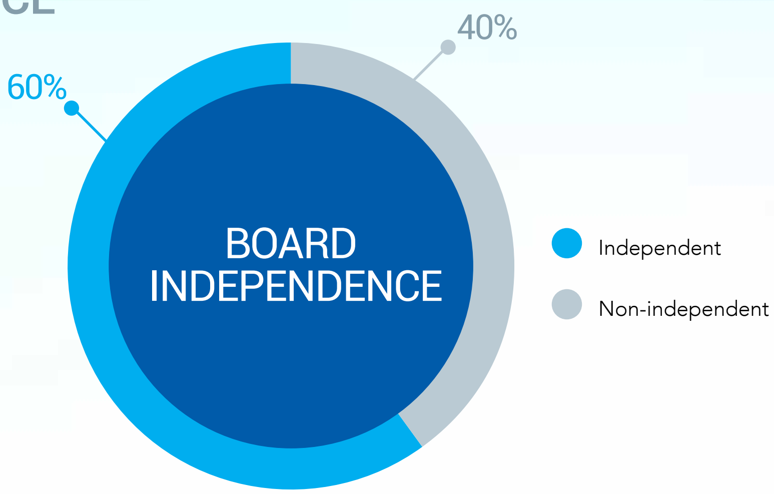
Age: 58
Appointment Date:
October 2016

Mr. William Haggai

REPRESENTATIVE OF ICDC

Age: 48
Appointment Date:
June 2018

CORPORATE GOVERNANCE



Leadership and Culture

The Board of Directors is committed to sound corporate governance and the management of environmental and social issues. Towards the achievement of this commitment, the Board has continued to put in place appropriate governance policies such as the Stakeholder Engagement Policy, The Environment, Social and Governance (ESG) Policy, Code of Ethics and Business Standards, Policies and Guidelines on Insider Trading, Internal Audit Charter, among others. The governance policies are initially reviewed by the Nomination and Governance Committee, which makes recommendations to the Board for approval of the policies and any subsequent amendments.

By the 31st of July each year, four (4) months after the financial year end, the Company reports to the Capital Markets Authority comprehensively on the status of application of the corporate governance standards and practices outlined in the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015. These disclosures are available on our Company's website.

The Company Secretary is charged with the mandate of supporting the Board's commitment to corporate governance and sustainability.

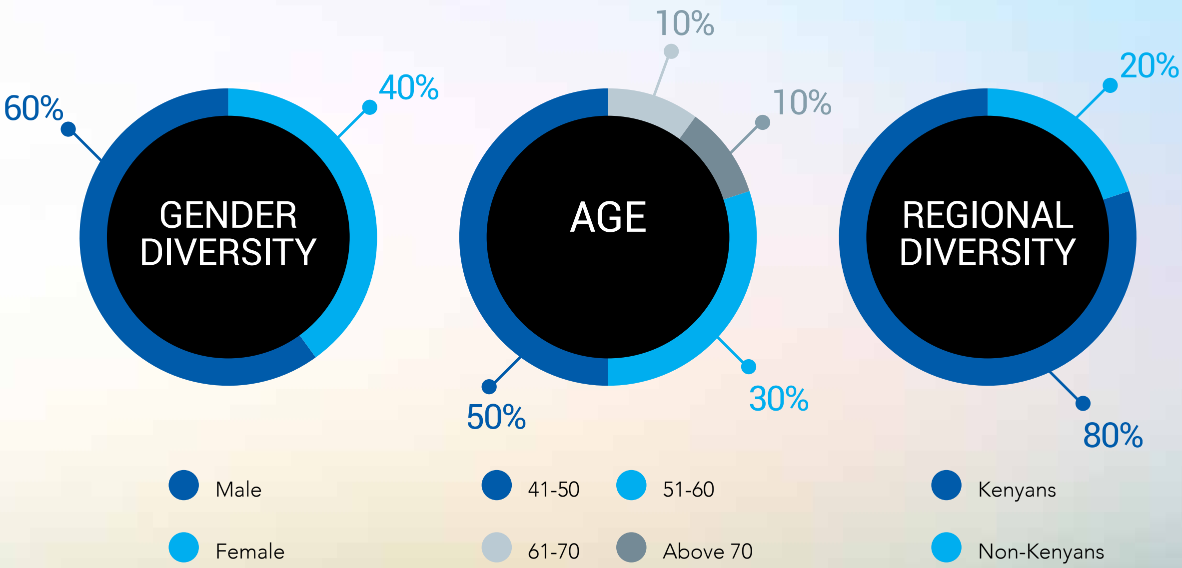
The Company has a compliance function which monitors compliance with the applicable governance standards and reports to the Board through the Risk Committee. In addition, the Company has an independent internal audit function, which reports to the Audit Committee on internal control matters.

Structure and Functioning of the Board

The chairpersons and a majority of members of the Audit Committee and the Nomination and Governance Committee are independent non-executive directors.

Board Diversity

The Board comprises a balance of knowledge, skills, experience, diversity and independence.



Board Skills

SUMMARY OF DIRECTORS' QUALIFICATIONS AND EXPERIENCE

ACADEMIA/EDUCATION brings perspective regarding organisational management and academic research relevant to the Company's business and strategy.

BUSINESS HEAD/ADMINISTRATION experience brings strong leadership qualities and ability to develop and guide other directors and senior management.

ENTREPRENEURSHIP skills and experience contribute a great deal to development of the Company's strategy, capital allocation, risk management and oversight of the Company's business.

CORPORATE GOVERNANCE experience contributes to a strong Board to ensure management accountability, responsible investing, transparency and protection of shareholders' interests.

CAPITAL BUDGETING AND/CAPITAL ALLOCATION expertise is key in the Company's strategy and business as it ensures there is a balance in allocating the Company's resources in investments that will continuously bring attractive returns to investors while ensuring the Environmental, Social and Governance standards are met and maintained.

FINANCIAL EXPERTISE is key in driving the Company's strategy as it ensures the Board understands the Company's financial reporting and internal controls and provides oversight over these aspects.

FINANCIAL SERVICES INDUSTRY experience is key in providing oversight in the Company's investments in the financial services industry as well as approving and understanding the implications of financing of the Company's investments.

DIRECTORSHIP IN OTHER LISTED COMPANIES enables the Board to leverage on experience gained by Board members in other listed companies.

PUBLIC SERVICE/ PUBLIC POLICY is essential as the government is a key stakeholder in the Company's business and government actions and public policy impact the Company's business substantively.

REGIONAL/ INTERNATIONAL EXPOSURE is useful in benchmarking the Company against global industry players and attracting foreign investments.

INVESTMENT is the core business of the Company and skills are key in evaluating the Company's investment strategy.

MARKETING/ CORPORATE COMMUNICATIONS expertise is crucial in providing oversight to matters affecting the Company's brand and managing related risks.

REAL ESTATE experience is vital in providing oversight to the Company's real estate investments.

PRIVATE EQUITY experience is fundamental in providing oversight to the Company's private equity investments.

TALENT MANAGEMENT is valuable as it helps the Company to attract, motivate, develop and retain top talent and to ensure that there is an appropriate succession plan for the Company's critical roles.

INTERNAL CONTROLS experience is critical in ensuring that the Company operates within the approved governance framework.

RISK MANAGEMENT expertise enables the Board to identify the key risks facing the Company's investment and provide oversight in continually monitoring those risks.

LEGAL skills are key in the Board as the Board is responsible for the overall compliance with the laws and regulations applicable to the Company.

	Dr. D. Kaberuka	Dr. J. Mworia (CEO)	Dr. C. Kirubi	Dr. L. Macharia	C. Igathe	M. Ngige	W. Haggai (ICDC Rep)	Hon. W. Byaruhanga	Dr. M. Ikiara	S. Wakhungu-Githuku
	◦			◦					◦	
	◦	◦	◦	◦	◦	◦	◦	◦	◦	◦
	◦	◦	◦	◦	◦	◦	◦	◦	◦	◦
	◦	◦	◦	◦	◦	◦	◦	◦	◦	◦
	◦	◦	◦	◦		◦	◦		◦	
	◦	◦	◦	◦	◦	◦	◦	◦	◦	
	◦	◦		◦	◦	◦				
		◦	◦	◦		◦				◦
	◦						◦	◦	◦	
	◦			◦	◦	◦		◦	◦	◦
	◦	◦	◦	◦	◦	◦	◦		◦	
			◦		◦					◦
		◦	◦	◦			◦	◦		
		◦	◦	◦		◦	◦			
	◦	◦	◦	◦	◦	◦	◦	◦	◦	◦
					◦	◦	◦			
				◦	◦	◦	◦			
		◦		◦				◦		

Procedure for Board Appointment

The Nomination and Governance Committee is responsible for scouting and assessing viability of Board candidates. The committee recommends to the Board qualified candidates for Board positions before they can be recommended for election by shareholders (or appointed by the Board in the case of filling a casual vacancy). Any appointment of a director by the Board to fill a casual vacancy is ratified by the shareholders at the next Annual General Meeting.

The Control Environment

The Board has put in place a robust system of internal control as well as a risk management structure and processes to provide a reasonable assurance that the Company can deliver on its strategic objectives and is operating efficiently and effectively. To this end, the internal audit function and the risk and compliance function, which are two separate functions, work closely with the management of the Company to ensure the integrity and reliability of financial and non-financial reporting as well as compliance with the applicable laws, regulations, internal standards and policies for the Company and subsidiaries.

The internal audit function reports to the Audit Committee and administratively to the Group Chief Executive Officer. The function is headed by the Group Head of Internal Audit who provides quality assessment on internal controls.

The risk and compliance function supports the Company's strategy by assessing and managing risks and opportunities and continuous monitoring. The risk function reports to the Risk Committee. The Board approves the Group risk appetite framework and routinely monitors management and compliance with policies and procedures. This incorporates environmental and sustainability risk management practices. The Audit Committee agrees with the external auditor on their scope and fees.

Treatment of Minority Shareholders

All shareholders have equal voting, subscription and transfer rights for the shares they hold. To ensure a proper understanding of the notice and motions to be voted at the meetings of shareholders, the Company provides English and Kiswahili versions to cater for all shareholders. All shareholders receive notices of shareholders' meetings and other communications concurrently, and payment of dividends is done simultaneously and at the same rate for all shareholders. To ensure a wide reach of notices to shareholders, the Company also sends the notice of the Annual General Meetings via mobile SMS. In addition, the Company facilitates the attendance of minority shareholders for shareholders' meetings by providing transport from Nairobi CBD to the meeting venue. Special resolutions require a super majority of 75% of the total number of votes cast to be passed. The Company has put in place an Investor Relations function which is the primary contact between all shareholders, including minority shareholders, and the Company.

Shareholder Mapping

Top 10 Shareholders

Name	31 March 2019 Total Shares	%	Rank	31 March 2018 Total Shares	%	Rank
Christopher John Kirubi	192,559,412	28.94	1	192,559,412	28.94%	1
Industrial and 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%	3
Stanbic Nominees Ltd A/C NR 1031144	9,539,073	1.43%	4	9,539,073	1.43%	4
Standard Chartered Nominees Non-Red A/C 9827	9,523,611	1.43%	5	9,523,611	1.43%	5
Stanbic Nominees Ltd A/C NR 1031141	9,057,400	1.36%	6	7,884,800	1.18%	7
Standard Chartered Kenya Nominees Ltd A/C KE00236	8,600,000	1.29%	7	8,600,000	1.29%	6
Standard Chartered Kenya Nominees Ltd A/C KE003534	8,017,169	1.20%	8			
John Kibunga Kimani	7,964,021	1.20%	9	6,243,221	0.94%	8
Uganda Securities Exchange	5,916,306	0.89%	10	5,916,306	0.89%	9
James Mworia Mwirigi				5,674,594	0.85%	10

Shareholding by Directors

Director	31 March 2018 Total Shares	31 March 2019 Total Shares
Dr. Christopher John Kirubi	192,559,412	192,559,412
Industrial and Commercial Development Corporation (Alternate - William Haggai) *	152,847,897	152,847,897
Dr. James Mworia	5,674,594	5,674,594
Dr. Moses Ikiara	18,150	18,150
Hon. William Byaruhanga	-	-
Mrs. Susan Wakhungu-Githuku	-	-
Catherine Igathe	-	-
Dr. Donald Kaberuka	-	-
Dr. Laila Macharia	-	-
Mary Githiaka Ngige	-	-

**William Haggai is an alternate director and does not own shares in the Company.*

Shareholder Analysis by Volume	31 March 2019			31 March 2018		
Name	**Total Shares**	**%**	**Holders**	**Total Shares**	**%**	**Holders**
1-500	2,405,011	0.36%	13,979	2,381,598	0.36%	13,667
501-5,000	33,484,286	5.03%	16,314	33,972,882	5.11%	16,566
5,001- 10,000	20,969,591	3.15%	2,914	21,176,878	3.18%	2,945
10,001 - 100,000	76,975,000	11.57%	3,089	77,693,078	11.68%	3,117
100,001 - 1,000,000	63,866,060	9.60%	240	67,181,456	10.10%	250
>1,000,000	467,741,766	70.29%	42	463,035,822	69.58%	42

Shareholder Analysis by Domicile	31 March 2019			31 March 2018		
Domicile	**Shares**	**%**	**Holders**	**Shares**	**Holders**	
Foreign Companies	66,269,902	9.96%	13,979	35	10.86%	45
Foreign Individuals	2,423,936	0.36%	16,314	210	0.34%	206
Local Companies	224,674,868	33.76%	2,914	1,748	33.76%	1,816
Local Individuals	372,073,008	55.91%	3,089	34,585	55.04%	34,520

Stakeholder Engagement

The Board of the Company recognizes the centrality of stakeholder engagement in the governance of the Company. In the year ended 31 March 2019, the Board approved the Stakeholder Engagement Policy, which maps the Company's far-reaching stakeholders and sets the overall framework and parameters for engaging with the stakeholders. The Stakeholder Engagement Policy will go a long way in achieving integrated reporting by providing a feedback mechanism and platforms of engagement with stakeholders. The policy also provides for internal and external dispute resolution mechanisms with its stakeholders.

Chairman's Report on Board Activities

The Board receives reports from the various committee's and considers recommendations of the committees before approving them. The Board has exclusive mandate to approve the strategy of the Company and to set the Company's risk appetite. In the year ended 31 March 2019, the Board undertook the following activities:

a) Received and considered reports on the business and investment activities;

b) Received and considered update reports on all activities of the committees;

c) Approved the Company and Group Financial statements for the year ended 31 March 2019;

d) Reviewed the Company's performance against Strategy;

e) Reviewed, deliberated and approved Centum 4.0 Strategy;

f) Approved the recommendation of the Nomination and Governance Committee for reconstitution of the Nomination and Governance Committee to ensure that most of the committee are independent non-executive directors;

g) Received updates on the activities of subsidiary boards;

h) Reviewed the reports on legal and compliance audit, governance audit and board evaluation from the previous year; and

i) On the recommendation of the Risk Committee, considered and approved the Group risk appetite framework.

j) Following recommendations of the Governance Auditor and Management, approved the Stakeholder Engagement Policy, the updated Policies and Guidelines on Insider Trading, the Updated Code of Ethics and Business Standards, the revised Audit Committee Charter, the Internal Audit Charter and the revised Board Charter.

....

Dr. Donald Kaberuka

Chairman, Board of Directors

Member	Attendance
Dr. Donald Kaberuka	3/4
Hon. William Byaruhanga	0/4
Susan Wakhungu-Githuku	4/4
William Haggai*	1/4
Catherine Igathe	4/4
Dr. Moses Ikiara	3/4
Dr. Christopher Kirubi	3/4
Dr. Laila Macharia	2/4
Dr. James Mworia	4/4
Mary Githiaka-Ngige	3/4

*Appointment effective June, 2018.

Chairperson's Report on the Risk Committee's Activities

I am pleased to present the Risk Committee report for the year ended 31 March 2019. The report details the activities of the Committee in the year.

The Board has the overall responsibility for risk management and internal control, including the determination of the nature and extent of the key risks it is willing to take to achieve its strategic objectives and ensuring that an appropriate culture has been embedded throughout the Group. In line with its mandate, the Risk Committee:

a) Discussed and approved the Committee workplan and the Risk Department's workplan for the year;

b) Received and considered quarterly risk reports on the Company's key risk exposures impacting implementation of strategic objectives i.e. liquidity and capital adequacy risk, operational risk, strategic risk, investment risk, finance risk and reputational risk;

c) Considered quarterly reports on the Group's compliance status to external regulations and third-party debt covenants;

d) Considered and approved the adoption of Key Risk Indicator matrices across at Group level and at subsidiary/project level;

f) Considered the proposed Group Risk Appetite Framework and recommended it for approval by the Board; and

g) Received and discussed the whistleblowing status report.

On behalf of the Risk Committee,

Catherine Igathe

Chairperson, Risk Committee

Member	Attendance
Catherine Igathe	2/2
Dr. Moses Ikiara	1/2
Dr. Laila Macharia	2/2
Mary Githiaka-Ngige	1/2

Chairperson's Report on the Audit Committee's Activities

The Audit Committee was actively involved in the oversight of matters within its mandate in the year ended 31 March 2019. The key matters that formed part of the deliberations of the Committee include:

a) Reviewed and approved the Audit Committee work plan for the year;

b) Reviewed the external auditor's report with respect to the financial year ended 31 March 2019;

c) Deliberated on the Company and Group financial performance for the year ended 31 March 2019, including deliberating on the audited Company and Group financial statements for the year ended 31 March 2019, and recommending them for consideration and approval by the Board;

d) Reviewed proposals for adoption of integrated reporting and appointment of PricewaterhouseCoopers as the integrated reporting consultant;

e) Reviewed the report on audit proposals and selection of Deloitte as the internal audit consultant;

f) Following proposal by Management, interviewed the top candidates and selection of a suitable candidate for the role of Group Head of Internal Audit;

g) Reviewed the work plan for adoption of integrated reporting;

h) Reviewed the Group and Company financial performance and interim financial statements for the 6-month period ended 30 September 2018;

i) Considered the risk assessment by the internal auditor and the draft work plan for internal audit;

j) Reviewed the annual budget for the financial year ending 31 March 2020;

k) Considered the internal audit calendar and audit plan for the financial year 2019/20 (including ICT and Cyber risks audit) and the required resources; and

l) Considered the internal auditor's report on Finance, ICT & Cyber Risk, Real Estate and Agri-business.

On behalf of the Audit Committee,

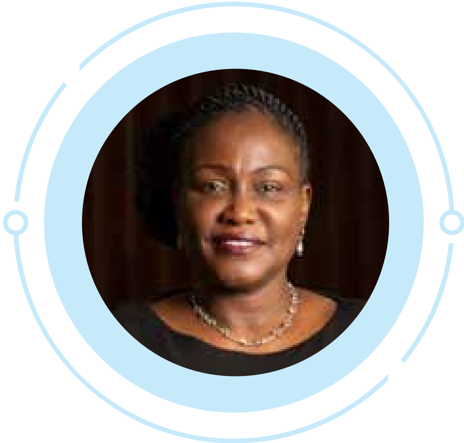
....

Mary Ngige

Chairperson, Audit Committee

Member	Attendance
Mary Githiaka-Ngige	3/4
William Haggai*	1/4
Catherine Igathe	4/4
Dr. Moses Ikiara	3/4
Dr. Laila Macharia	4/4

*Appointment effective June, 2018.



Chairperson's Report on the Nomination and Governance Committee's Activities

It is with pleasure that I present to you the report on the Nomination and Governance Committee for the year ended 31 March 2019. The Committee is mandated with oversight of governance and human resource matters. During the year ended 31 March 2019, the Committee:

a) Considered and approved its workplan for the year;

b) Considered an update on Board Evaluation, Governance Audit and Legal & Compliance Audit;

c) Considered proposals for appointment of directors to the boards of the Company's wholly-owned subsidiaries;

d) Evaluated the status of independence of directors and recommended the reconstitution of its membership to the Board to ensure that many of its members were independent non-executive directors; and

e) Deliberated a wide range of human resource matters, including:

1. Organization structures,
2. Human resource systems,
3. Performance management,
4. Learning and development,
5. Reward,
6. Talent management,
7. Engagement,
8. Succession planning for senior management,
9. Proposed changes to the human resource manual.

On behalf of the Nominations and Governance Committee,

Dr. Laila Macharia

Chairperson, Nomination and Governance Committee

Appointment as Committee Member November 2018

Member	Attendance
Dr. Laila Macharia	2/2
Susan Wakhungu-Githuku	1/2
Dr. Moses Ikiara	1/2
Dr. Christopher Kirubi	2/2
Catherine Igathe*	1/2

*Appointment as Committee Member November 2018

Chairperson's Report on the Finance and Investment Committee's Activites

The Finance and Investment Committee is charged with the responsibility of making investment, divestment and capital budgeting decisions, subject to approved limits. In the course of the year ended 31 March 2019, the committee's activities included:

a) Received and deliberated on updates of the various investments by the Company, including risks associated with each investment;

b) Received updates on the Company's real estate, development, growth and marketable securities portfolios, including risks associated with each portfolio;

c) Considered the business case for setting up a private equity fund (Centum Capital Fund II);

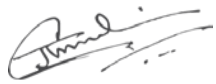
d) Continually tracked the approved capital budget for the year ended 31 March 2019;

e) Reviewed and approved a proposal for the revision of Company's investment policies and development of sustainability goals (based on the triple bottom approach: people, planet, profit);

f) Considered updates on the Group Portfolio overview and asset allocation; and

g) Considered proposals on transactions involving the Company's assets and received updates on such transactions.

On behalf of the Finance and Investment Committee,



Dr. Chris Kirubi

Chairperson, Finance and Investment Committee

Member	Attendance
Dr. Christopher Kirubi	4/4
Susan Wakhungu-Githuku	1/4
William Haggai*	2/4
Dr. Moses Ikiara	4/4
Dr. Laila Macharia	4/4
Dr. James Mworia	4/4

*Appointment effective June, 2018.

Succession Planning

The Board, on the recommendation of the Nomination and Governance Committee, has put in place a succession plan for key management roles.

Remuneration Policies

There is no direct link between non-executive directors' remuneration and the performance of the Company. The Board remuneration policy is structured in a way that ensures that the remuneration is sufficient to attract and retain directors to govern the Company effectively. In revising the remuneration policy, the Company benchmarks against comparable listed companies, taking into account factors such as requirements for time allocation by the Board to the Company.

	31 March 2019	31 March 2018
Item	**KES million**	**KES million**
Executive Director's Fees	-	-
Executive Director's Emoluments	45,284	177,558
Non-executive Directors' Fees	23,328	23,990
Non-executive Directos' Emoluments	-	-

See more information on the individual directors' remuneration on pages 116 to 117

Status of Compliance with the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015

The Company has fully applied the Code of Corporate Governance for Issuers of Securities to the Public, 2015. A detailed report on the compliance status as at 31 March 2019 is available on the website.

Independent Assurance Governance Auditor's Opinion

The Code of Corporate Governance for Issuers of Securities to the Public, 2015 ("the Code"), requires the Board of a listed company to subject the company to an annual Governance Audit to check the level of compliance with sound governance practices.

The annual Governance Audit ("GA") should be conducted by a competent and recognized professional accredited for that purpose by the Institute of Certified Secretaries (ICS). The Company, in compliance with the Companies Act, 2015 ("the Act") and the Code retained FCS. Catherine Musakali of Dorion Associates ("the Auditor") to conduct a Governance Audit of the governance structures, procedures and processes of the Company in order to assure the Board that its goals, structure and operations are consistent with the law, the Code, as well as the latest developments in Corporate Governance; and that the Company has adopted best practices in Corporate Governance as a means of ensuring sustainability. The Code further requires that after undergoing the Governance Audit, the Board should provide an explicit statement on the level of compliance.

The scope of the Audit is derived from the Code, the Companies and the Governance Audit Tool developed by the ICS. More specifically, the Audit covers the following broad areas;

1. Leadership and strategic management;
2. Transparency and disclosure;
3. Compliance with laws and regulations;
4. Communication with stakeholders;
5. Board independence and governance;
6. Board systems and procedures;
7. Consistent shareholder and stakeholders' value enhancement; and
8. Corporate social responsibility and investment.

Governance Auditor's Responsibility

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

Opinion

In our opinion, the Board has put in place a satisfactory governance framework, which is to a large extent in compliance with the Corporate Governance legal and regulatory framework, and in this regard, we issue an unqualified opinion. Instances of non-compliance have been identified and specifically reported.

Catherine Musakali

....

FCS. Catherine Musakali,

ICPSK GA. No 006

For Dorion Associates

Executive Committee

Mr. Fred Murimi
**Managing Director:
Centum Capital Partners**

Appointment Date:
August 2015

Mr. Thomas Omondi-Achola
**Group Chief Operating Officer
and Managing Director;
Centum Business Solutions**

Appointment Date:
August 2018

Mr. Samuel Kariuki
**Group CFO and Managing Director:
Centum Real Estate**

Appointment Date:
January 2016

Dr. James Mworia
**Group Chief
Executive Officer**

Appointment Date:
October 2008

Mr. Ira Kaviti
Group Head of Internal Audit

Appointment Date:
February 2019

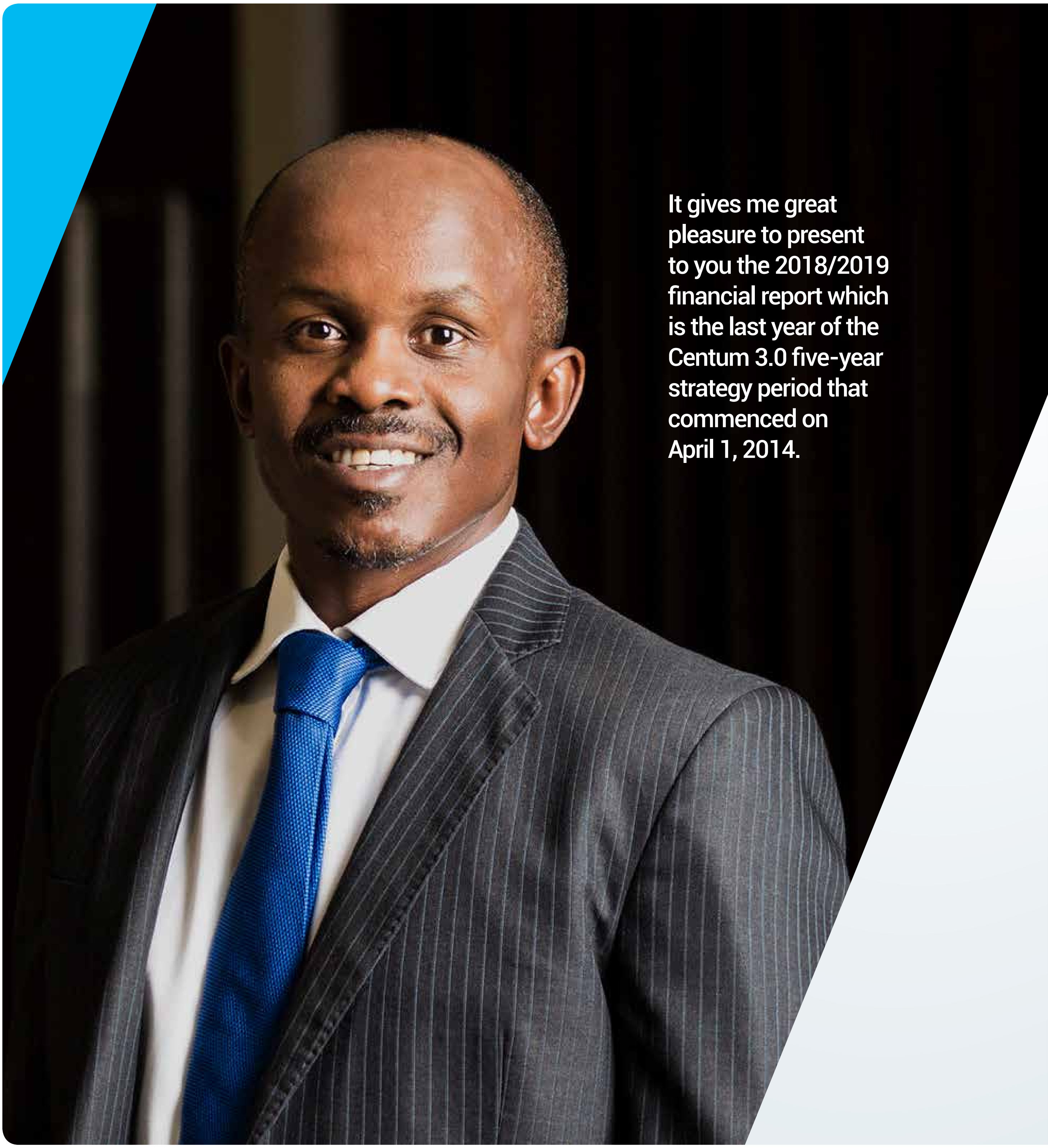
Mr. Pius Muchiri
**Managing Director:
Nabo Capital**

Appointment Date:
March 2013

Mr. Mwangi J. Mbogo
**Group Chief Legal Officer
and Company Secretary**

Appointment Date:
September 2018

CEO'S STATEMENT



It gives me great pleasure to present to you the 2018/2019 financial report which is the last year of the Centum 3.0 five-year strategy period that commenced on April 1, 2014.

Performance over the Centum 3.0 strategy period

Aggregate Performance Over the Strategy Period

Centum's gain in net worth over the 5 years since the strategy period began on April 1, 2014 has been Kshs 29.7 Billion with the book value of shareholder funds having increased from Kshs 22.9 Billion on March 31, 2014 to Kshs 52.6 Billion on March 31, 2019. This increase, when adjusted for cumulative dividends of Kshs 2.26 Billion over the period, represents a gross return on the book value of shareholder funds of Kshs 31.9 Billion. This is a cumulative return of 139% or a compounded annual return of 19% over the last 5 years.

This is as opposed to the Nairobi Securities Exchange (NSE) share index which closed on April 1, 2014 at 4,959.96 and declined to 2,846.35 as at March 31, 2019 a 42% decline or a 10.5% annual decline. The significant outperformance of our investment portfolio relative to the NSE index is a validation of the prudence of the original strategy to diversify our investment portfolio away from listed securities as was the case before and to focus on the alternative asset space of private equity, real estate, and infrastructure. Unfortunately, the Centum share performance was affected by the market underperformance. We closed March 31, 2014 with a share price of Kshs 36.50 which represented a market capitalization of Kshs 24.3 Billion and by March 31, 2019 the share price was at Kshs 32.0 which represents a market capitalization of Kshs 21.3 Billion.

This was despite the significant growth in the book value of shareholder funds. The current market capitalization of the Company is only 40% of the book value of shareholder funds. I will be discussing later in this statement the steps we intend to take to reduce the Share Price to Net Asset Value per Share gap.

The constituents of the growth in book value of shareholder funds by asset class at the beginning and at the end of Centum 3.0 is set out below:

	31 March 2014	31 March 2019
Investment Portfolio	*Ksh million*	*Ksh million*
Private Equity	15,603	26,937
Real Estate	9,141	35,854
Marketable Securities	3,807	3,834
Development	52	3,913
	28,604	70,538
Cash & Bank Balances	175	253
Other Assets	33	853
Total Assets	28,811	71,644
Borrowings	4,201	16,145
Other Liabilities	1,675	2,899
Shareholder Funds	**22,936**	**52,600**

**Portfolio numbers differ from financial statements due to accounting classification of cash and other assets across the segmental allocation*

Read more on the Financial Performance in the CFO Review on pages 84 to 88

Performance against the 3.0 Strategic Pillars

Centum 3.0 Objective	Actual Performance over 3.0
Earn a return of 35% over the strategy period	The aggregate asset return over the strategy period was 32% with the performance per asset class as follows: **Gross Return over Centum 3.0 (%)** Private Equity 31% Real Estate 29% Marketable Securities 39% Development -1% Aggregate Return 32% The performance of the Private Equity and Real Estate asset class was 31% and 29% respectively as opposed to the target 35% return. The marketable securities portfolio performance was 39% and performed even better when tracked against comparable market indexes. The performance of the Development portfolio was disappointing and significantly below expectations. The reasons for the disappointing performance range from the challenges of developing and scaling up greenfield ventures to significant delays to the uncertainties that we have faced in the power development projects. I will discuss this in further detail in the business commentary section. We have picked up the lessons of what has worked well and what has not and applied them in the Centum 4.0 strategy. The major lesson from Centum 3.0 was that greenfield business and project development requires a significantly longer period than we had initially anticipated and that the actual risks are not necessarily aligned with our risk appetite.
To focus and build capabilities in eight sectors, namely: › Financial Services › Fast-moving consumer goods › Real Estate › Power › Education › Agriculture › Health Care › Information Communication and Technology (ICT).	We are active in six of the eight sectors, and we do not yet have a portfolio presence in health care and information communication and technology (ICT). The initial approach of investing in health care was through the establishment of a greenfield venture in partnership with a very successful international health care company. However, following a review of the performance of the Centum 3.0 strategy and, in particular, a review of the performance of our development portfolio we made a decision not to pursue a greenfield as a market entry strategy. We will, however, seek opportunities in this sector as part of our Private Equity portfolio in opportunities that are aligned to our investment criteria. We evaluated a number of buy-out and growth capital opportunities in the ICT sector in the period, but we did not close on any as none met our investment criteria. We, however, hope to make investments in this sector within the Centum 4.0 period.
Scale the assets to Kshs 120 Billion	We closed Centum 3.0 with an asset base of Kshs 71.6 Billion up from Kshs 28.8 Billion, a 149% growth. The Centum 3.0 strategy had assumed firstly, that we would take on a significantly larger level of borrowing than we eventually ended up with. Secondly, that we would continue with a zero-dividend policy. We resumed dividend payment in 2015/2016 and have to date paid out Kshs 2.3 Billion in dividends. Thirdly, that market conditions would have been significantly better than what was experienced. Finally, that the Development Portfolio would have performed significantly better than it did.
Brand	We continued to develop the Centum brand, and the Centum brand is today recognized nationally and across the continent as a credible, reliable and preferred investment partner.
Costs at below 2% of total assets	We maintained operating costs at an average of 1.5% of total assets and by the time we closed the 2018/2019 financial year costs as a proportion of assets were at 0.9%.

The Centum 4.0 Strategy

The Board of Directors approved the Centum 4.0 strategy in February 2019. The Centum 4.0 strategy will guide the business over the coming five-year period ending March 31, 2024. The objective of the Centum 4.0 strategy is to build on our achievements and lessons learned in Centum 2.0 and Centum 3.0 and create an institution that would consistently deliver value for all its stakeholders while taking a reduced level of risk in the context of the current prevailing challenging economic environment. The underlying themes of the 4.0 strategy were:

i. Consistent and steady value creation with an emphasis on cash return;

ii. Prudent risk management;

iii. Strong governance and institutional structures at Centum level and all its subsidiaries to enable consistency in the delivery of objectives; and,

iv. The need to close the share price to NAV per share gap and thereafter endeavor to ensure that the share price reflects underlying value creation.

It was in the context of these themes that we developed Centum 4.0 with five strategic objectives.

Return and Dividend Payout

i. Generate a minimum return on equity of 20%;

ii. Optimise dividend pay-out to the higher of 30% of the cash annuity income (excluding capital gains) and the previous year's dividend pay-out.

Capital Structure and Liquidity

i. Balance sheet strengthening through repayment of all long-term debt obligations (i.e., zero long-term debt capital structure) at Group level. All non-recourse debt should be taken at the project/asset level.

ii. Double the book-value of shareholders' funds to over KES 100 Billion by FY2024.

iii. Maintain a minimum of 12-months cash cover to fund all cash operating expenses and dividends and any other cash investment obligations falling due within 12 months.

Operating Costs

i. Maintain a maximum operating cost-to-cash annuity (cash annuity income will exclude capital gains) income ratio of 30% for the group.

ii. Ensure each business unit maintains its operating costs within the management fee income earned from their respective portfolios.

Portfolio Focus

Focus on three core business units, namely:

i. Real Estate portfolio (Target asset allocation: 45-55%)

ii. Private Equity portfolio (Target asset allocation: 30-40%)

iii. Marketable Securities portfolio (Target asset allocation: 10-20%)

Continue to develop the existing Development Portfolio without making capital deployments to new development assets.

Organisational Effectiveness

Ensure optimisation of Centum's operating model to support effective and efficient execution of its strategy including governance, structure, people, processes, technology and culture.

We believe that the target return on the book value of shareholder funds of 20% is realistic and consistent with our track record given the following facts:

a) We achieved a return on the book value of shareholder funds of 19% in Centum 3.0 even with the Development Asset class which is a major asset class underperforming;

b) We incurred a significantly higher cost in debt service, which reduced the return on equity in Centum 3.0, whereas we plan to totally deleverage the balance sheet in line with our theme of prudent risk management.

A 20% annual rate of return consistently delivered over the next 5 years should grow the book value of shareholder funds by Kshs 78 Billion. We expect to deploy between 15% and 25% of this amount in dividends and in funding the buyback of our shares, which we consider significantly undervalued.

In line with the objective of closing the Price to NAV gap and following significant investor engagement, we are of the view that an enhanced dividend payout and a share buyback will bring the share price in line with the NAV per share.

To enable us to deploy capital to the objectives of enhancing the dividend and buying back our shares it is essential that we divert the cash flow that we are currently utilizing in annual debt service to this objective. We currently incur close to Kshs 1.8 Billion a year in interest expense. If this amount was directed to buying back our shares at a 10% premium to the current average price of Kshs 32 per share, we would purchase approximately 56 Million shares per year. This effort sustained over a 3-year period would translate a purchase of 168 Million shares. This would have the effect of increasing the dividend per share by 33%, assuming we kept the absolute dividend payout at the current Kshs 799 Million per year.

It is against this context that we have set for ourselves an objective of retiring our entire debt. The major tranches of our debt are a USD 75 Million facility which we will repay using the proceeds of the ongoing Almasi Beverages and Nairobi Bottlers exit where we expect to realise approximately Kshs 19 Billion. The second major tranche of our debt is the Kshs 6.1 Billion corporate bond that matures in May 2020 and which we plan to retire using internally generated funds.

Our subsidiary business lines and the portfolio companies are however free to borrow to finance their investment opportunities and operations provided that borrowing is non-recourse to Centum and it can be serviced from the cash flows of the investment opportunity that they are seeking to make.

The twin objective of enhancing dividend payouts and buying back our shares has therefore informed our objective to focus on investments that can provide a more regular cash generative investment. In addition, the current market conditions caution against pursuing a strategy highly dependent on capital gains at the point of exit.

To provide our shareholders with a consistent dividend payout, we have pegged the payment of dividend to the annuity cash flows. The dividend policy is to pay out the higher of 30% of cash annuity income and the previous year's dividend. Our objective will be therefore to increase the annuity portion of the income of the business and to be less reliant on exit proceeds which are lumpy.

We have changed our cost structure benchmark from a cost to asset ratio to a cost to current income ratio, which excludes capital gains. This will ensure that expenses are funded from the current income of the company and that we do not dilute shareholder return on capital gains.

After lengthy deliberations and considering different organizational structures we concluded that the best parenting model for Centum vis-à-vis its subsidiaries was one where Centum offers strategic guidance to independent subsidiaries and investee companies. To further simplify our business model, we have re-organised our portfolio into three business lines and a support services hub:

i. **Centum Real Estate:** Centum RE is a wholly owned subsidiary that holds and manages Centum's real estate holdings. These holdings are currently Centum's 58% holding in Two Rivers Development Limited, 100% holding in Vipingo Development Limited, 100% holding in Pearl Marina Estates Limited and a 100% holding in Athena Properties Limited which is a real estate development and project management company.

   This business is led by Samuel Kariuki who is also our Group CFO but is in the process of transitioning out of this role. Samuel has proven himself to be very capable, especially in structuring funding given that this is a capital-intensive business, instilling financial discipline in an area where that is key and effective project management. The success we have recorded to date is largely on account of Samuel and his team's leadership. He is supported by a capable development team with specialisations in all disciplines of real estate development, sales and marketing.

ii. **Centum Capital Partners (CCAP):** CCAP is a wholly owned subsidiary of Centum and is a private equity fund manager. It is currently managing Centum's private equity assets and has a mandate to manage new private equity funds that will attract third-party capital alongside Centum's own capital. Due to the fact that we will not be deploying capital to new development opportunities, CCAP has responsibility for the portfolio management of Centum's existing development portfolio, the bulk of which is Centum's investment in Amu Power, Akiira Power and Greenblade Growers.

   CCAP is led by Fred Murimi who joined the company eight years ago as the Corporate Affairs Director and Company Secretary. In this position, Fred was the force behind many of the transactions that we did. He moved on to manage the private equity portfolio four years ago and, in that role, he immersed himself into portfolio management issues and has been very instrumental in the success of the current fund. Fred is supported by a very capable team.

iii. **Nabo Capital (Nabo):** Nabo is a wholly owned subsidiary and is a licensed asset manager. It was established five years ago and at the time it only managed Centum's marketable securities portfolio. It has over the last 5 years built up an impressive roster of other clients in addition to an impressive track record of market-beating performance in the marketable securities asset class across the African continent. We intend to continue to employ the services of Nabo to manage our marketable securities portfolio.

   Nabo has been led since its inception in 2014 by the very capable Pius Muchiri. Pius joined Centum 15 years ago and has done a tremendous job in building a top tier company.

iv. **Centum Business Solution (CBS):** CBS is a wholly owned subsidiary of Centum and it houses all the business support functions. These include but are not limited to; finance, treasury, human capital management, legal, company secretarial, tax, internal audit, risk, information systems and corporate communications. CBS performs two services for the Centum group. The first is the responsibility for oversight to ensure compliance and adherence to the group guidelines and the second is as a shared services centre to enable the business lines to tap into a center of excellence and access services at a lower cost than they would otherwise have accessed had they been standalone entities. This structure has reduced risk and cost across the group while enhancing effectiveness. CCAP, for example, has access to an impressive breadth and depth of capability that would not ordinarily be available to a private equity fund manager and that capability is also available to CCAP's portfolio companies. CBS runs as a profit center and has a client orientation with the various clients Centum included paying fees and receiving services as per a client service level agreement.

CBS is run by Thomas Omondi who joined us in 2018 from Kenya Airways where he served for thirteen years and in different senior roles including Chief Transformation Officer, Director – Strategy and Performance Management and Commercial Director. Thomas has brought a very valuable skill set to the group and is principally responsible for delivering the organizational effectiveness pillar of our strategy. During the year, Mwangi J. Mbogo was appointed as the Company Secretary in February 2019, having joined as in September 2018 as the Group Chief Legal Officer. Mwangi brings a wealth of experience in corporate and commercial transactions, including mergers and acquisitions, joint ventures and partnerships, as well as real estate and conveyancing transactions.

Centum Business Line Review and Outlook for 2019/2020

Centum Real Estate

Centum RE is pursuing a four-pronged real estate strategy:

a) Sale of infill developments within our current assets;

b) Sale of development rights within our current assets;

c) Management of rental assets such as Two Rivers Lifestyle and the theme park;

d) Third-party development sites on a joint venture basis.

Centum RE has made good progress on each of the four areas, and as at April 2019 they had presold infill developments with a value of Kshs 3.8 Billion. The key rental asset of Centum RE is the Two Rivers Lifestyle Centre, which was 78% let by gross lettable area and 76% let as a proportion of units available for rent.

Centum RE has also developed an attractive pipeline of joint venture developments targeting the middle-income segment of the market. We expect that they will launch a number of this development in the course of the 2019/ 2020 financial year.

Both Vipingo Development and Pearl Marina Estates limited are fully funded by equity and shareholder loans. Now that the companies are cash flow generative, Centum RE is working on paying back some of the shareholder loans advanced by Centum, in addition to independently funding its investment pipeline.

In the 2019/ 2020 financial year, we expect Centum RE to make further progress on each of its four business pillars and to make good progress on the development phase of these projects. Centum RE has secured non-recourse debt funding for each of the projects and is in advanced discussions with prospective equity partners as well.

Read more on our Real Estate Portfolio in the Business Review on page 102 to 108

Centum Capital Partners (CCAP)

CCAP is responsible for managing three distinct portfolios:

a) Centum's Private Equity Portfolio;
b) Centum Fund II
c) Centum's Development Portfolio

a) Centum's Private Equity Portfolio: The principal driver of value in this portfolio has been value growth underpinned by earnings growth, enhancement of the valuation multiples as a result of improvement in the prospects of the business and reduction of risk. I would like to highlight the performance of the key subsidiaries in the portfolio being the bottlers and Sidian Bank

- **Almasi Bottlers and Nairobi Bottlers** – Centum holds a 54% equity stake in Almasi Bottlers and a 28% equity stake in Nairobi Bottlers both of which are licensees of Coca Cola. We announced on June 12, 2019 that we had signed a Share Purchase Agreement to sell our entire holdings both assets at approximately Kshs 19.5 Billion to Coca Cola Beverages Africa (CCBA). The exit value is a significant uplift to our last year's carrying value of Kshs 13.8 Billion and a cost base of Kshs 3.4 Billion. The exit of our stake in the bottlers is the culmination of a strategy that we have executed over the last 10 years to consolidate the bottlers, enhance their value and realise the value uplift through an exit. We believe that these assets need a different kind of ownership to create the next phase of value and CCBA which is one of the largest bottlers in the world is uniquely placed to do so. On our part, we are of the view that we secured an attractive exit value and these funds will be re-deployed to enhance the cash generation capacity of the business noting that they were contributing Kshs 400 million in dividend which is a 2% yield relative to the exit value. We expect to conclude this exit within the 2019 / 2020 financial year.

- **Sidian Bank** – Centum holds an 82% equity interest in Sidian Bank. The Bank has made a remarkable improvement across all its key indicators of liquidity, asset growth, liability growth and both funded and non-funded income. We invested Kshs 1.1 Billion in a rights issue of the Bank which was followed by an investment of Kshs 1.2 Billion by IFU in the form of a Tier 2 capital.

  The key highlights of performance of the bank in the last financial year were:
  - Customer deposits – KES 15 Billion, up 15%;
  - Gross loan book – KES 13 Billion, up 12%;
  - Centum recapitalized through rights issue;
  - IFU Tier II capital facility of KES 1.2 Billion.

  Following the interest rate cap, the bank went into a loss-making position, but I am pleased to report that the bank went back into profitability in 2019.

  We have a positive outlook for the 2019/ 2020 financial year for our private equity business. We are looking forward to completing the exit of the bottlers, while the remaining companies in the portfolio have excellent prospects.

b) **Centum Fund II:** Centum has in the past very successfully managed and invested its own private equity assets without any third-party funds. One of the lessons of Centum 3.0 was that we had access to more opportunities than we ended up investing in and if we had access to more capital, we would have taken up more opportunities and therefore reduced the overall portfolio risk. The second lesson was that companies that were leaders within their market segment offered us a better return than companies lower down the chain. A good example is Platcorp Holdings and GenAfrica, which are investments that we have made and exited within the past 6 years and realised a 30% Internal Rate of Return. Considering that we have about Kshs 10 Billion to deploy to the private equity asset class within the Centum 4.0 period, and that market leaders will tend to be in the investment range of Kshs 2 Billion to Kshs 5 Billion, it is preferable from a portfolio risk perspective to pool capital so that our investment provides us with exposure to a portfolio of 8 to 10 quality assets. This is the rationale behind the decision to establish a Private Equity Fund managed by CCAP and into which Centum shall direct its investments in the Private Equity through.

The secondary benefit of establishing a Fund is that the CCAP business will earn fees which like in the case of Nabo, shifted the business from being a cost center to a profit center.

The final benefit is that a fund structure will provide the fund manager with a longer investment horizon than the one we have operated with so far on account of the need to meet various funding obligations.

The investment criteria of the fund are drawn from the lessons of Centum 2.0 and 3.0 and we shall focus on companies that are:

i. Within the East African region which is a region that we understand;

ii. Have some form of sustainable market leadership in their market segments;

iii. Within our sector focus areas;

iv. Attractive and have sustainable economic growth, margins, asset efficiency and risk;

v. An aligned management team; and

vi. A reasonable valuation relative to the prospects of the business.

As we did in Centum 3.0, we shall focus on buy-out and growth investments in companies that meet our investment criteria.

The current investment environment is ideal to make acquisition on account of the tight liquidity situation, which has made equity a more attractive form of funding for Companies in addition to moderating what we considered unrealistic valuation expectations. In addition, Centum is not just a financial investor but is a local strategic partner.

The CCAP team is busy evaluating new investment opportunities and also engaging with investors looking at making an investment in the fund.

Read more on our Private Equity in the Business Review on page 96 to 99 respectively

Marketable Securities

The marketable securities portfolio, which is largely segmented between listed equities and fixed income, presents a different set of opportunities.

On the listed equity space, there is an opportunity to acquire sizable stakes of listed companies across the African listed markets at attractive valuations. These are companies that meet our private equity investment criteria, but which are listed. We coined the term Quoted Private Equity (QPE) Strategy in our Centum 2.0 strategy period when market conditions were very similar to what the African security markets are experiencing today. In the QPE strategy we acquired sizable stakes in listed companies that had strong fundamentals but by virtue of either their size, free float, trading volumes, unique circumstances or general market sentiment were out of favour and were significantly undervalued relative to their prospects. Examples of some of the investments that we have made and realised significant returns employing this strategy are Carbacid and Kenya Re-Insurance in Kenya, Tanzania Breweries in Tanzania, CAL Bank in Ghana and Bralirwa in Rwanda.

Investment	Investment Date	Exit Date	Investment Amount (KES million)	Realised Value (KES million)	Multiple on Cost	Gross IRR (%)
Carbacid	2009	2011	431	1,200	2.79x	66.9%
Tanzania Breweries Ltd	2012	2015	1,773	7,000	3.95x	184.8%
CAL Bank Ltd*	2012	2018	422	1,156	2.74x	92.2%
Kenya Re-Insurance Corporation Ltd Ord 2.50	2012	2018	188	774	4.12x	39.2%
Bralirwa	2012	2014	88	317	3.63x	38.1%

*We still hold a stake in CAL Bank through the marketable securities portfolio valued at KES 65m

The fixed income market appears attractive and there are opportunities to pick up yield at relatively low risk and generate sizable cash returns as we wait to deploy capital to either our private equity or quoted private equity portfolio.

Read more on our Marketable Securities in the Business Review on page 109

Conclusion

I would like to conclude by thanking the shareholders and the Board for giving me the opportunity to serve them over the last ten years. I took over the leadership of this Company in December 2008 with a total asset base of Kshs 6 Billion and a cash base of Kshs 10 Million. This amount has grown to the current Kshs 71.6 Billion and a book value of shareholder funds of Kshs 52.6 Billion. I am proud that we have consistently grown shareholder value without having diluted the shareholders' ownership by the issuance of new shares. I look forward to the new phase of our growth journey where we shall pay off our entire debt and in addition to continuing to generate a consistent return, implement policies that shall enhance the return to shareholders and close the share price to NAV per share gap.

I would like to thank my colleagues in management. Our values remain integrity and delivery to promise. I am confident that this committed team of professionals will deliver on their Centum 4.0 commitments.

Dr. James Mworia

Group Chief Executive Officer

WARAKA WA AFISA MKUU MTENDAJI

Ni furaha yangu kuu kuwasilisha kwenu taarifa ya hesabu ya 2018/2019, mwaka ambao ni wa mwisho wa msimu wa miaka mitano wa mpango wa mkakati Centum 3.0 ambao ulianza Aprili 1, 2014.

Waraka wa Afisa Mkuu Mtendaji wa Kundi la Centum

Mwenyehisa Mpendwa,

Utendaji Kazi kwa Jumla katika Kipindi cha Mpango wa Mkakati Centum 3.0

Thamani halisi ya Centum katika kipindi cha miaka mitano cha mpango wa mkakati kilichoanza Aprili 1, 2014 imekuwa KES 29.7 bilioni, huku nayo thamani ya daftarini ya fedha za wenyehisa ikiongezeka kutoka KES 22.9 bilioni mnamo Machi 31, 2014 hadi KES 52.6 bilioni mnamo Machi 31, 2019. Ongezeko hili, ambalo likirekebishwa ili kuongeza malimbikizi ya mgawo wa faida yaliyolipwa katika msimu wote huo ya KES 2.26 bilioni, linawakilisha faida ghafi kwa thamani ya daftrini ya fedha za wenye hisa ya KES 31.9 bilioni. Haya ni malimbikizi ya faida ya asilimia 139 au faida changamani ya kila mwaka ya asilimia 19 kwa miaka mitano iliyopita.

Ukuaji huo ni bora kuliko kipimo cha thamani ya hisa katika Nairobi Securities Exchange (NSE) ambacho kufikia Aprili 1, 2014, kilikuwa 4,959.96 lakini kikashuka hadi 2,846.35 kufikia Machi 31, 2019, mpunguko wa asilimia 42, sawa na mteremko wa asilimia 10.5 kila mwaka. Mapato hayo mazuri kutoka kwa mali zetu ikilinganishwa na kipimo cha thamani ya hisa katika NSE, ni thibitisho la busara ya mkakati wetu asili uliotilia mkazo haja ya orodhafedha ya mali na amana anuwai mbali na hisa na amana zinazouzwa sokoni kama ilivyokuwa hapo awali na kuangazia mali mbadala za hisa binafsi zisizo na riba ya kudumu, mali isiyohamishika kama vile mijengo, na muundo msingi. Kwa bahati mbaya, bei ya hisa za Centum iliathiriwa na matokeo duni ya soko la hisa. Tukifunga mwaka mnamo Machi 31, 2014, thamani ya kila hisa yetu ilikuwa KES 36.50, sawa na jumla ya rasilmali zetu katika soko ya KES 24.3 bilioni. Kufika Machi 31, 2019, bei ya kila hisa ilikuwa KES 32.0, sawa na jumla ya rasilmali zetu katika soko ya KES 21.3 bilioni, ingawa thamani ya daftarini ya pesa za wenyehisa wetu iliongezeka kwa kiasi cha haja. Thamani ya sasa ya rasilmali yetu katika NSE ni asilimia 40 ya thamani ya daftarini ya fedha za wenyehisa. Nitazungumzia baadaye katika waraka huu ni hatua gani tunazonuia kuchukua kupunguza mwanya uliopo kati ya bei ya hisa zetu na thamani halisi ya mali zetu. Sehemu zilizochangia kukua kwa thamani ya daftarini ya fedha za wenyehisa kulingana na kila kundi la mali mwanzoni na katika mwisho wa Centum 3.0 zimeorodheshwa hapa chini:

	Mwaka wa Fedha 2014	Mwaka wa Fedha 2019
Orodhafedha ya kitega uchumi	*KES milioni*	*KES milioni*
Hisa na amana binafsi*	15,603	26,937
Mali isiyohamishika	9,141	35,854
Hisa na amana ziwezazo kuuzwa	3,807	3,834
Maendeleo**	52	3,913
	28,604	70,538
Pesa taslimu	175	253
Mali nyingine	33	853
Mali ya jumla	28,811	71,644
Mikopo	4,201	16,145
Madeni mengine	1,675	2,899
Thamani daftari	**22,936**	**52,600**

**Namba za orodhafedha ni tofauti na za taarifa za hesabu kwa sababu ya jinsi uwekezaji wetu katika ACE Holdings na King Beverage Limited umeshughulikiwa kwa kuhamishwa kutoka kwa orodha ya maendeleo hadi kwenye hisa na amana binafsi katika Centum 4.*

Soma mengine zaidi kuhusu matokeo ya fedha katika utathmini wa afisa mkuu wa hazina (CFO) kuanzia ukurasa 84 hadi 88

WARAKA WA AFISA MKUU MTENDAJI

Matokeo ya uwekezaji yakilinganishwa na shabaha za nguzo za mpango wa mkakati 3.0

Lengo la Centum 3.0	Matokeo halisi yakilinganishwa na 3.0
Pata faida ya asilimia 35 katika kipindi cha mpango wa mkakati	Kusanyiko la faida halisi katika kipindi cha mpango wa mkakati lilikuwa asilimia 32, huku matokeo ya kila mali yakiwa ifuatavyo:

Faida ghafi ikilinganishwa na shabaha za Centum 3.0 (%)	
Hisa na amana binafsi	31%
Mali isiyohamishika	29%
Hisa na amana ziwezazo kuuzwa	39%
Maendeleo	-1%
Kusanyiko la faida	**32%**

Uwekezaji katika hisa na amana za binafsi ulileta chumo la asilimia 31, huku faida kutokana na mali isiyohamishika ikiwa ni asilimia 29 ikilinganishwa na faida ya asilimia 35 iliyotarajiwa. Faida kutokana na hisa na amana ziwezazo kuuzwa ilikuwa ya asilimia 39 , kiwango kilichokuwa bora zaidi kikilinganishwa na vipimo vya soko la hisa na amana.

Matokeo ya kitengo cha ustawi yalivunja moyo na yalikuwa chini sana ya kilinganishwa na matarajio yetu. Sababu za matokeo hayo ya kuvunja moyo ni pamoja na kustawisha na kupandisha kiwango cha matawi mapya ni miradi mipya, na kucheleweshwa na utata ambao umekabili miradi ya ustawi wa kawi. Nitazungumzia hili kwa kina katika sehemu ya maoni kuhusu hali ya biashara.

Tumepata mafunzo ya yaliyotufaa na yale ambayo hayakutupatia matokeo tuliyotarajia. Mafunzo hayo tumeyatekeleza katika mkakati wa Centum 4.0. Funzo kubwa kubwa tulilolipata kutoka kwa Centum 3.0 ni kwamba biashara mpya kabisa tunazoanzisha na miradi ya maendeleo huchukua muda mrefu kuliko tulivyokadiria mwanzoni na kwamba mashaka kamili ya kibiashara hayaingiani na kiwango chetu cha ujasiria.

Lengo la Centum 3.0	Matokeo halisi yakilinganishwa na 3.0
Kuangazia na kujihusisha kibiashara katika sekta nane, nazo ni: › Huduma za fedha › Biadhaa za matumizi ambazo hununuliwa kasi › Mali isiyohamishika › Nguvu za umeme › Elimu › Kilimo › Huduma za afya › Habari, mawasiliano na teknolojia (ICT).	Kwenye orodha ya sekta nane, tunahusika kikamilifu katika sekta sita. Hatujajihusisha bado katika huduma za afya na sekta ya habari, mawasiliano na teknolojia (ICT). Njia ya kwanza ya kuzalisha mali katika huduma za afya ililenga kujihusisha na mradi mpya kwa ushirikiano na kampuni ya kimataifa iliyofanikiwa kwa huduma za afya. Lakini baada ya kutathmini matokeo ya mpango wa mkakati wa Centum 3.0, na hasa matokeo ya uhusika wetu katika miradi ya maendeleo, tulifikia uamuzi kwamba hatutajihusisha na mipango mipya ya biashara kama mbinu ya kimkakati ya kuingia sokoni. Hata hivyo, tutatafuta nafasi katika sekta hii ikiwa ni sehemu moja ya orodhafedha ya hisa binafsi zisizo na riba ya kudumu kulingana na kigezo chetu cha uwekezaji. Tulitathmini nafasi kadhaa za kununua biashara na kukuza mali katika sekta ya ICT katika kipindi tunachokiangazia, lakini hatukutwaa yoyote kwa sababu hakuna iliyofikia kigezo chetu cha kuwekeza. Hata hivyo, tunatarajia kuwekeza katika sekta hii kwenye mpango wa Centum 4.0.
Ongeza kiasi cha mali ili thamani yake ifike KES 120 bilioni	Tulimaliza Centum 3.0 tukiwa na mali ya thamani ya KES 71.6 bilioni, ongezeko la asilimia 149 kutoka KES 28.8 bilioni. Mwanzoni, dhana ya mpango wa mkakati wa Centum 3.0 ilikuwa kwamba tungekopa pesa nyingi kuliko tulivyofanya hatimaye. Pili, kwamba tungeendeleza sera ya kutolipa mgawo wa faida. Tulianza tena kulipa mgawo wa faida mnamo 2015/2016 na kufikia sasa tumelipa mgawo wa faida wa KES 2.3 bilioni. La tatu ni kwamba hali ya soko imekuwa bora zaidi kuliko tulivyotarajia. Nne, matokeo ya miradi ya ustawi yangekuwa bora kuliko yalivyokuwa.
Chapa	Tuliendelea kujenga chapa ya Centum ambayo leo inatambulikana nchini na pia kote katika bara kuwa mwekezaji mshirika anayeaminika, wa kutegemewa na kupendwa zaidi.
Gharama ya chini ya asilimia mbili ya jumla ya mali	Tulidumisha gharama ya uzalishaji katika kiwango cha wastani cha asilimia 1.5 cha jumla ya mali zetu zote na kufika mwisho wa mwaka wa 2018/2019, kiwango hiki kilikua asilimia 0.9.

Mkakati wa Centum 4.0

Bodi ya Wakurugenzi iliidhinisha mpango wa mkakati wa Centum 4.0 mnamo Februari, 2019. Mkakati wa Centum 4.0 utaongoza biashara ya kampuni kwa kipindi cha miaka mitano ijayo ambacho kitamalizika Machi 31, 2024. Shabaha ya mkakati wa Centum 4.0 ni kuendeleza mafanikio na mafunzo tuliyoyapata katika Centum 2.0 na Centum 3.0 na kujenga shirika ambalo litaendelea kuwanufaisha washikadau wote huku likichukua kiwango cha chini iwezekanavyo cha kubahatisha katika mktadha wa changamoto za mazingira ya kiuchumi zilizopo. Misingi ya mada za mkakati 4.0 ilikuwa:

i. Uongezaji thabiti na wa kutabirika wa thamani wenye kutilia mkazo faida ya pesa taslimu;

ii. Usimamizi thabiti na ujasiria;

iii. Udhibiti wa shirika na nguzo za kampuni katika ngazi ya Centum na matawi yake yote kwa lengo la kuhakikisha desturi za kudumu katika kutekeleza shabaha; na,

iv. Haja ya kuziba pengo kati ya bei ya hisa na thamani halisi ya mali zetu kwa kila hisa na hatimaye kuhakikisha bei ya hisa zetu inafungamana na msingi wa kukuza thamani.

Ni katika mkatadha wa mada hizo ambapo tulitayarisha Centum 4.0 ikiwa na shabaha tano za kimkakati.

Faida na mgawo wa faida

i. Zalisha faida ya hisa zisizo za kudumu kwa kima kisicho chini ya asilimia 20;

ii. Hakikisha kiwango bora zaidi cha malipo ya mgawo wa faida hakiendi chini ya asilimia 30 ya malipo taslimu yasogeuka (bila kuhesabu faida ya kimtaji) au yanabaki kwa kiwango sawa na malipo ya mgawo wa faida ya mwaka uliotangulia.

Muundo wa mtaji na ukwasi

i. Kuimarisha taarifa ya kupima hali ya kifedha ya kampuni kwa kulipa madeni yote yenye kipindi kirefu cha malipo katika kiwango cha Kundi. Madeni yote yaliyowekewa dhamana yatachukuliwa tu kugharmia miradi au kununua mali.

ii. Ongeza maradufu thamani ya daftarini ya fedha za wenyehisa ili ziwe zaidi ya KES 100 bilioni kufikia mwaka wa fedha wa 2024.

iii. Hakikisha pana kima cha chini cha pesa taslimu za kutosha kwa miezi 12 kuwezesha shirika kulipia matumizi ya pesa taslimu, mgawo wa faida na madeni yoyote ya fedha yanayohitaji kulipiwa ndani ya muda wa miezi 12.

Gharama za shughuli

i. Dumisha kima cha juu cha gharama ikilinganishwa na malipo taslimu yasogeuka (bila kuhesabu faida ya kimtaji) cha asilimia 30 ya mapato ya kundi.

ii. Hakikisha gharama ya matumizi ya kila kitengo cha biashara inalipiwa na mapato ya ada za usimamizi kutoka kwa orodhafedha zake.

Msisitizo wa orodhafedha

Shirika litatilia mkazo vitengo vitatu ambavyo ni kiini chake cha biashara, navyo ni:

i. Orodhafedha ya mali isiyohamishika (Fungu la mali lililotengwa: asilimia 45-55)

ii. Orodhafedha ya hisa binafsi ambazo kiwango chake cha riba hakibadiliki (Fungu la mali lililotengwa: asilimia 30-40)

iii. Orodhafedha ya hisa na amana zinazoweza kuuzwa katika soko (Fungu la mali lililotengwa: asilimia 10-20)

Kuendelea kustawisha miradi iliyopo ya maendeleo bila kutenga mtaji wowote kwa miradi mipya ya maendeleo.

Kutimiza matakwa ya shirika

Pana haja ya kuhakikisha utekelezwaji kamili wa mfumo wa utendaji wa shughuli za Centum kwa lengo la kufanikisha kupatikana kikamilifu kwa matokeo yanayotakikana kimkakati ikiwa ni pamoja na udhibiti, muundo, watu, taratibu, teknolojia na utamaduni.Tunaamini kwamba kiwango tunacholenga cha faida ya asilimia 20 ya thamani ya daftarini ya fedha za wenyehisa kinaweza kupatikana na kinaambatana na rekodi yetu ya hapo awali, tukitilia maanani mambo hakika yafuatayo:

a) Chini ya Centum 3.0, tulipata faida kwa ya asilimia 19 kwa thamani ya daftarini ya fedha za wenyehisa, hata baada ya kitengo cha miradi ya ustawi ambacho ni sehemu kuu ya vitengo vya mali kutoleta faida iliyotarajiwa.

b) Gharama ya kulipia mikopo ilikuwa juu na ilisababisha kupunguka kwa faida ya hisa zisizo na riba ya kudumu katika msimu wa Centum 3.0, huku tukipanga kuondoa kabisa madeni kutoka kwa mizania yetu kuambatana na mada yetu ya kuwa makini zaidi kwa ujasiriamali.

Faida ya asilimia 20 kila mwaka ikipatikana katika miaka mitano ijayo, itasaidia kuinua thamani ya daftarini ya fedha za wenyehisa kwa KES 78 bilioni. Tunatarajia kutoa kati ya asilimia 15 na 25 ya pesa hizo ikiwa mgawo wa faida na kugharamia ununuaji wa hisa zetu ambazo tunaamini thamani yake kamili iko chini.

Kuambatana na lengo letu la kuziba pengo lililopo kati ya bei ya hisa zetu na thamani halisi ya mali zetu na kufuatia mashauriano muhimu na wawekezaji, tunaonelea kwamba malipo ya juu ya mgawo wa faida pamoja na ununuzi wa hisa zetu sisi wenyewe zitarejesha bei ya hisa katika kiwango sawa na thamani halisi ya mali zetu.

Ili kutuwezesha kupata fedha za kufanikisha shabaha yetu ya kuinua malipo ya mgawo wa faida na kununua hisa zetu katika soko, ni muhimu kutumia pesa zinazolipia mikopo yetu kila mwaka kwa lengo hilo. Kwa sasa tunatumia karibu KES 1.8 bilioni kila mwaka kulipia faida za mikopo. Pesa hizo zikielekezwa kwa ununuzi wa hisa zetu katika soko kwa asilimia 10 zaidi ya bei ya sasa ya wastani ya KES 32 kwa kila hisa, tutanunua takribani hisa milioni 56 kila mwaka. Juhudi hiyo ikiendelezwa kwa miaka mitatu, tutakuwa tumenunua hisa milioni 168. Matokeo ya mpango huu yatakuwa ni kuinua mgawo wa faida kwa kila hisa, tukichukulia kwamba kiasi cha sasa cha jumla cha mgawo wa faida cha KES 799 milioni kitakua kwa asilimia 33 kwa mwaka.

Ndiposa tumeazimia kulipa mikopo yetu yote. Deni kubwa zaidi tulilonalo ni la dola 70 milioni ambazo tutalipa tukitumia mapato kutokana na shughuli inayoendelea ya kujiondoa kutoka kwa kampuni za Almasi Beverages na Nairobi Bottlers ambapo tunatarajia pato la karibu KES 19 bilioni. Deni la pili kubwa ni la KES 6.1 bilioni za hatifungani ambazo kampuni ilikopa kwa riba isiyobadilika itayokuwa tayari kudaiwa Mei, 2020 na tunayopanga kulipia tukitumia mapato ya ndani.

Hata hivyo, matawi yetu ya biashara na kampuni zetu za orodhafedha wako huru kukopa kwa lengo la kugharamia uwekezaji na uendeshaji wa shughuli, kwa sharti mikopo hiyo haitadhaminiwa na Centum na inaweza kulipiwa kwa pesa kutokana na uwekezaji wa matawi na kampuni.

Shabaha mbili kuu za kuinua malipo ya mgawo wa faida na kununua hisa zetu kutoka sokoni ndizo kiini cha lengo letu kutilia mkazo uwekezaji uwezao kutupatia fedha za mara kwa mara na kwa vipindi vinavyotabirika. Kadhalika, hali iliyopo ya soko inatutahadharisha dhidi ya kuzingatia mkakati unaotegemea zaidi faida ya kimtaji wakati wa kujiondoa kwa kuuza umilikaji wetu.

Ili kuwapatia wenyehisa wetu mgawo thabiti wa faida, tumefungamanisha malipo hayo ya mgawo wa faida kwa mitiririko ya malipo yasogeuka. Sera ya mgawo wa faida ni kutoa malipo ya kiwango cha juu yaliyo sawa na asilimia 30 ya mapato yasogeuka na malipo ya mgawo wa faida ya mwaka uliotangulia. Ndiposa shabaha yetu itakuwa ni kuongeza fungu la mapato yasogeuka ya biashara na kupunguza utegemeaji wa mapato kutokana na kuondoa uwekezaji wetu ambao kwa kawaida huwa ni kupata malipo yote kwa pamoja.

Tumebadilisha alama teule ya muundo wa gharama kutoka kwa mbinu ya uwiano wa gharama na jumla ya mali na badala yake kuzingatia mbinu ya uwiano wa gharama na mapato ya kawaida bila kutilia maanani faida ya kimtaji. Hili litahakikisha kuwa matumizi yote yanagharamiwa na mapato ya kawaida ya kampuni na kwamba faida ya kimtaji ya wenyehisa haiteremki.

Baada ya mashauriano marefu na tukitilia maanani miundo tofauti ya shirika, tuliazimia kwamba muundo bora zaidi wa Centum ni kuwa mlezi wa matawi huru na kampuni washirika za uwekezaji kwa kutoa uongozi wa kimkakati. Ili kuurahisisha zaidi mfumo wetu wa biashara, tumeunda vitengo vinne vya biashara:

i. **Centum Real Estate:** Centum RE ndiyo kampuni tawi mmiliki na msimamizi wa mali za Centum zisizohamishika. Mali hizo ni Two Rivers Development Limited ambapo Centum inamiliki asilimia 58 yake, umilikaji wa asilimia 100 katika Vipingo Development Limited, Pearl Marina Estates Limited na Athena Properties Limited ambayo ni kampuni ya ujenzi wa nyumba na usimamizi wa miradi.

   Centum Re inasimamiwa na Samuel Kariuki ambaye pia ni Afisa Mkuu wa Fedha wa kundi, wadhifa ambao anaushikilia kwa muda wa mpito. Samuel amethibitisha uwezo na ukakamavu wake, hasa katika kuandaa taratibu za kifedha, ikitiliwa maanani kwamba biashara hii inategemea uzalishaji wa kimtaji, na kuweka nidhamu katika masuala ya fedha, suala ambalo ni muhimu na huleta matokeo mazuri katika usimamizi wa miradi. Ufanisi ambao tumepata kufikia sasa umetokana na Samuel na uongozi wa timu yake. Samuel anafanya kazi na kundi thabiti linalothamini maendeleo la watu wenye taaluma tofauti katika ujenzi wa nyumba, mauzo na masoko.

ii. **Centum Capital Partners (CCAP):** CCAP ni tawi linalomilikiwa na Centum ambalo ni msimamizi wa hisa binafsi zenye riba isiyobadilika. Kwa sasa, tawi hilo linasimamia amana na hisa binafsi za Centum na lina mamlaka ya kusimamia fedha za amana na hisa binafsi ambazo zitavutia mtaji wa wateja wengine, pamoja na mtaji wa Centum. Kwa vile hatutatenga mtaji kwa nafasi mpya za ustawi, CCAP ina jukumu la kusimamia miradi ya sasa ya ustawi ya Centum, hasa miradi ambapo Centum imewekeza pakubwa ya Amu Power, Akiira Power na Greenblade Growers.

   CCAP inaongozwa na Fred Murimi ambaye alijiunga na kampuni miaka minane iliyopita akiwa Katibu wa Kampuni na Mkurugenzi wa Masuala ya Sheria. Katika wadhifa huo, Fred alitekeleza jukumu kubwa katika mapatano ya biashara tuliyohusika nayo. Miaka minne iliyopita, alisimamia kitengo cha amana na hisa binafsi na uzoefu alioupata katika usimamizi wa orodhafedha ulimwezesha kufanikisha pakubwa mfuko wa fedha uliopo. Fred anashirikiana na kundi lenye uwezo ufaao.

iii. **Nabo Capital (Nabo):** Nabo ni tawi linalomilikiwa na Centum na ambalo lina leseni ya kusimamia mali. Nabo ilianzishwa miaka mitano iliyopita na wakati huo ilikuwa inasimamia tu orodhafedha ya hisa za Centum zinazouzika. Katika miaka hiyo mitano, Nabo imepata wateja wengine na inajivunia rekodi ya kuvutia ya matokeo yanayowashinda wengine wote katika masoko ya hisa kote barani Afrika. Tunanuia kuendelea kutumia huduma za Nabo kusimamia hisa zetu zinazouzwa katika masoko.

   Tangu ilipoanzishwa 2014, Nabo imekuwa ikiongozwa na Pius Muchiri ambaye alijiunga na Centum miaka 15 iliyopita na kufanya kazi kubwa na ya kujivunia, na kujenga kampuni ya ngazi ya juu.

iv. **Centum Business Solution (CBS):** CBS ni tawi linalomilikiwa na Centum na ndilo mwenyeji wa shughuli zote andamizi za biashara ambazo ni pamoja na masuala ya fedha, hazina, usimamizi wa wafanya kazi, sheria, ukatibu wa kampuni, ukaguzi wa ndani wa hesabu na taratibu, ujasiria na mitambo ya habari na mawasiliano ya shirika. Jukumu la kwanza la CBS ni usimamizi na kuhakikisha uzingatiaji wa kanuni zote za kundi. Pili, ni kituo cha huduma za pamoja kinachowezesha safu zote za biashara kupata huduma bora na kwa gharama nafuu kuliko kutafuta huduma hizo kwa vituo vya huduma moja moja. Muundo huo umepunguza mashaka ya kibiashara na gharama kote katika shirika na kuimarisha utendaji kazi. Kwa mfano, CBS inaweza kufikia taaluma na maarifa ya kipekee ambayo si rahisi kupatikana kwa wasimamizi binafsi wa fedha. CBS inatoa huduma hizo anuwai kwa kampuni wateja wake. Katika uendeshaji wa shughuli zake, CBS huhakikisha inajipatia faida na kuwapa wateja wake mbali mbali, ikiwemo Centum, maelekezo ya mazingira ikiwa ni pamoja na kulipia ada na kutoa huduma kulingana na mikataba ya huduma kwa wateja.

   CBS inasimamiwa na Thomas Omondi aliyejiunga nasi mnamo 2018 kutoka Kenya Airways ambapo alihudumu kwa miaka 13 katika nyadhifa kuu totauti ikiwa ni pamoja na afisa mkuu wa mageuzi, mkurugenzi wa mikakati na usimamizi wa utenda kazi, na mkurugenzi wa biashara. Thomas ana ujuzi na ustadi wa thamani kubwa kwa kundi na ni jukumu lake kutekeleza nguzo ya uthabiti wa shirika na mkakati wetu.

WARAKA WA AFISA MKUU MTENDAJI

Utathmini wa Biashara ya Centum na Matarajio ya 2019/2020

Centum Real Estate

Centum RE inazingatia mkakati wa mali isiyohamishika wenye vipengee vine:

a) Kuuza majengo ya kujazia ndani ya mali tulizonazo;

b) Kuuza haki za ustawishaji ndani ya mali tulizo nazo;

c) Usimamizi wa mali za kukodishwa kama vile Two Rivers Lifestyle na bustani yake ya starehe; na

d) Ustawishaji wa ardhi kwa watu wengine chini ya maafikiano ya pamoja.

Centum RE imepiga hatua nzuri za ufanisi katika kila mojawapo ya nyanja hizo nne na kufikia Juni 2019, walikuwa wameuza majengo ya kujazia ya thamani ya KES 3.8 bilioni kabla hayajakamilika. Mali kuu ya kukodishwa ya Centum RE ni Two Rivers Lifestyle Centre, ambayo asilimia 78 ya jumla ya nafasi yote ya kukodishwa ilikuwa na wateja na asilimia 76 kukodishwa ikiwa ni sehemu ya jumla ya vitengo vya kukodishwa.

Kadhalika, Centum RE imestawisha miradi mingi ya pamoja inayowalenga wenye kipato cha katikati. Tunatarajia kuanzisha miradi kadhaa katika mwaka wa fedha wa 2019/ 2020.

Vipingo Development na Pearl Marina Estates Limited zimegharamiwa kikamilifu na mikopo ya fedha za amana na za wenyehisa. Kwa vile sasa kampuni hizo mbili zimeanza kuleta mapato, Centum RE inajitahidi kulipa baadhi ya mikopo ya wenyehisa waliyokopeshwa na Centum, mbali na udhamini huru wa uwekezaji wake.

Mnamo mwaka wa fedha wa 2019/ 2020, tunataraji Centum Re itapiga hatua zaidi za maendeleo katika nguzo zake nne za biashara na kufanikisha awamu za ustawi za miradi hiyo. Centum RE imepata mkopo inayohitaji udhamini kwa kila mojawapo ya miradi hiyo na mashauriano na washirika watarajiwa wa amana na hisa yamefikia hatua muhimu.

Soma mengine zaidi kuhusu orodhafedha ya mali isiyohamishika kuanzia ukurasa 102 hadi 108

Centum Capital Partners (CCAP)

CCAP ina jukumu la kusimamia orodhafedha tatu tofauti:

a) Orodhafedha ya Centum ya hisa binafsi zisizo na riba ya kudumu;

b) Centum Fund II; na

c) Orodhafedha ya Ustawi ya Centum;

a) Orodhafedha ya Centum ya Hisa Binafsi Zisizo na Riba Ya Kudumu: Msingi wa thamani katika orodhafedha hii ni ukuaji wa thamani kutokana na ongezeko la mapato na kuimarishwa kwa sehemu nyingi za ukadiriaji thamani ambazo zimeletwa na kuinuka kwa matazamio ya biashara na kupunguka kwa mashaka ya kibiashara.

- **Almasi Bottlers na Nairobi Bottlers –** Centum inamiliki asilimia 54 ya mali ya Almasi Bottlers na asilimia 28 ya mali ya Nairobi Bottlers, kampuni mbili ambazo zimepewa leseni na Coca Cola. Mnamo June 2, 2019, tulitangaza kwamba tulitia sahihi mkataba wa ununuzi wa hisa wa kuuza hisa zetu zote katika kampuni hizo mbili kwa takribani KES 19.5 bilioni kwa Coca Cola Beverages Africa (CCBA). Mapato hayo yamepiga jeki pakubwa thamani ya mwaka uliopita ya KES 13.8 bilioni na msingi wa gharama wa KES 3.4 bilioni. Uuzaji wa hisa zetu katika kampuni hizo mbili ni hatima ya mkakati ambao tumetekeleza katika miaka 10 iliyopita wa kuunganisha kampuni hizo mbili, kuimarisha thamani yao na kujipatia faida tukiondoa mtaji wetu. Tunaamini kwamba mali hizo zinahitaji umilikaji tofauti ili kubuni awamu nyingine ya thamani na CCBA, mojawapo ya watengenezaji soda wakubwa duniani, ina uwezo wa kipekee kufanya hivyo. Kwa upande wetu, tunaonelea kwamba tumepata thamani ya kuvutia kwa kuuza hisa zetu na pesa tulizopata zitatumiwa kuinua uwezo wa biashara zetu kuongeza mapato ikitiliwa maanani kuwa biashara hizo zinachangia KES 400 milioni kwa mgawo wa faida, kiasi ambacho ni asilimia mbili ya faida ikilinganishwa na thamani ya kuondoa umilikaji wetu katika kampuni hizo mbili. Tunatarajia kumaliza uuzaji huo wa hisa zetu katika kampuni hizo katika mwaka wa fedha wa 2019 / 2020.

Tuna matarajio makubwa na biashara yetu ya hisa binafsi zenye riba isiyobadilika katika mwaka wa fedha wa 2019/2020. Tunatazamia kumaliza kujiondoa kutoka kwa kampuni hizo za wapakiaji soda na hatuna shaka kampuni zilizosalia kwenye orodhfedha zina matazamio bora.

› **Banki ya Sidian** Centum inamiliki asilimia 82 ya hisa za Banki ya Sidian. Banki imepiga hatua za kutia moyo katika viashiria vyote muhimu vya ukwasi, ukuaji wa mali, ongezeko la madeni na mapato kutoka kwa mikopo na malipo mengine maalumu ya huduma za Kampuni. Tuliwekeza KES 1.1 bilioni katika ununuzi wa hisa kwa wenyehisa wa banki, shughuli iliyofuatiwa na uwekezaji wa KES 1.2 bilioni na IFU katika muundo wa mtaji wa ngazi ya pili.

Vidokezo muhimu vya utendakazi wa banki katika mwaka wa fedha uliopita vilikuwa:

- Fedha za wateja – KES 15 bilioni, ongezeko la asilimia 15;
- Jumla ya mikopo – KES 13 bilioni, ongezeko la asilimia 12;
- Ongezeko la mtaji wa Centum kwa kununua hisa zaidi kulingana na kiasi cha hisa ilizo nazo katika banki; na
- Uwekezaji wa KES 1.2 bilioni wa mtaji wa IFU wa ngazi ya pili.

Kufuatia kupitishwa kwa sharia ya viwango vya riba ya mikopo na faida, banki ilianza kupata hasara. Hata hivyo, nina furaha kuwaripotia kwamba banki ilianza tena kupata faida mnamo 2019.

Tuna matumaini makubwa kwamba biashara yetu ya hisa binafsi itafanya vyema mnamo mwaka wa fedha wa 2019/2020. Tunatarajia kumaliza shughuli ya kuondoa umilikaji wetu katika kampuni mbili za kupakia soda, huku tukiwa na matumaini makubwa kwamba kampuni zilizosali katika mfuko huu zitafanya vyema.

b) Centum Fund II: Mnamo siku zilizopita, Centum imefanikiwa kusimamia na kuwekeza mali zake kwa hisa binafsi zisizo na riba ya kudumu bila kutumia fedha za wengine. Mojawapo ya mafunzo ya Centum 3.0 ni kwamba tungeweza kufikia nafasi nyingi kuliko tulizoishia kuwekeza na tungekuwa na mtaji zaidi, tungejitwalia nafasi zaidi na hivyo basi kupunguza mashaka ya ujasiriamali katika orodhafedha zetu. Funzo la pili ni kwamba kampuni zilizoongoza katika vitengo vyao vya masoko zilitupatia faida bora zaidi kuliko kampuni zilizokuwa chini ya ngazi katika vitengo vya masoko. Mfano mzuri ni Platcorp Holdings na GenAfrica, ambapo tuliwekeza kisha kuondoa mtaji wetu miaka sita iliyopita na kujipatia faida ya ndani ya asilimia 30. Ikitiliwa maanani kwamba tuna karibu KES 10 bilioni za kuwekeza katika kitengo cha hisa binafsi zenye riba isiyobadilika chini ya Centum 4.0, na kwamba wanaoongoza kwenye soko huhitaji mtaji wa kati ya KES 2 bilioni na KES 5 bilioni, ni bora zaidi kwa mfumo wa ujasiria katika orodhafedha tofauti kukusanya mtaji ili uwekezaji wetu utupatie angalau mali 8 ama 10 za kiwango cha juu. Ni kwa kuzingatia busara hii ambapo tuliamua kuanzisha hazina ya hisa binafsi zenye riba isiyobadilika inayosimamiwa na CCAP na ambayo ni chombo cha Centum cha kuwekezea katika hisa binafsi.

Faida ya pili ya kuanzisha hazina hiyo ni kwamba CCAP itatoza ada ambazo, sawa na ilivyo katika NABO, zitabadilisha biashara hiyo kuwa kituo cha kuleta faida badala ya kituo cha gharama.

Faida ya mwisho ni kwamba muundo wa hazina utaipatia kampuni msimamizi wa fedha upeo wa mbali wa uwekezaji kutokana na haja ya kutimiza majukumu mbali mbali ya ugharamiaji wa mtaji kuliko ilivyo sasa.

Vigezo vya uwekezaji wa hazina hiyo vinatokana na mafunzo ya Centum 2.0 na 3.0 na tutaangazia kampuni:

i. Za kanda ya Afrika Mashariki ambayo tunaielewa;

ii. Ambazo zina aina fulani ya uongozi endelezi sokoni katika kitengo chake cha shughuli za biashara;

iii. Za sekta tunazoangazia;

iv. Zinazovutia na endelezi kiuchumi – ukuaji, faida, uthabiti wa mali na mashaka ya kibiashara;

v. Zenye kundi la wasimamizi wanaovuta pamoja; na

vi. Zenye ukadiriaji thamani usiozusha shaka yoyote wenye uwiano na matarajio ya biashara kufanya vyema.

Kama tulivyofanya chini ya Centum 3.0, tutatilia mkazo ununuzi wa biashara na uwekezaji wenye matarajio ya ukuaji katika kampuni zinazotimiza vigezo vyetu vya uwekezaji.

Mazingira ya sasa ya uwekezaji yanafaa sana kwa juhudi za kupata mali tukizingatia hali ngumu iliyopo ya uhaba wa pesa, jambo ambalo limefanya hisa zisizo na riba ya kudumu kuwa mbinu ya kuvutia zaidi ya kupatia kampuni fedha, mbali na kutuliza tuliyoyachukulia kuwa matarajio yasiyoonwa kuwa halisi ya thamani ya mali. Isitoshe, Centum sio tu mwekezaji wa fedha lakini ni mshirika wa ndani kimkakati.

Kundi la CCAP kwa sasa lina kazi nyingi ya kutathmini nafasi mpya za uwekezaji na kushauriana na wawekezaji wanaotafuta kuwekeza katika hazina yetu.

Soma mengine zaidi kuhusu orodhafedha ya mali isiyohamishika kuanzia ukurasa 96 hadi 99

Hisa zinazoweza kuuzwa

Orodhafedha ya hisa zinazoweza kuuzwa ambayo vitengo vyake ni hisa na amana zinazouzwa katika masoko, na pia mapato ya kudumu, inatoa fungu tofauti la nafasi za kuzalisha mali.

Kitengo cha hisa na amana zinazouzwa katika masoko kinatoa nafasi ya kupata kiasi cha haja cha umiliki katika kampuni zilizouzia umma hisa kote katika masoko ya hisa na amana ya Afrika kwa thamani ya kuvutia. Hizi ni kampuni zinazotimiza vigezo vyetu vya uwekezaji binafsi, lakini ambazo zimeuza hisa kwa umma. Tulibuni istilahi ya mkakati wa kampuni binafsi ya ununuaji hisa na amana iliyosajiliwa katika masoko ya hisa (QPE) katika kipindi cha mkakati wa Centum 2.0 wakati hali ya masoko ya hisa na amana ya Afrika yalikuwa yanakumbwa na hali sawa na iliyopo sasa. Chini ya mkakati wa QPE, tulinunua hisa nyingi kiasi za kampuni zilizouzia umma hisa na zenye misingi imara kutokana aidha na ukubwa wake, kuachwa huru kubadilikabadilika, hisa zinazouzwa na kununuliwa sokoni, hali maalumu ama kauli ya soko ambazo hazikufaa ama zilidunisha thamani ya hisa ikilinganishwa na matarajio ya mapato yake. Mifano ya baadhi ya kampuni tulimowekeza na zikatupatia faida nzuri tukizingatia mkakati huo ni Carbacid ya Kenya, Tanzania Breweries ya Tanzania, CAL Bank ya Ghana na Bralirwa ya Rwanda.

Uwekezaji	Tarehe ya kuwekeza	Tarehe ya Kutoka	Kiasi kilichow-ekezwa (KES millioni)	Mapato (KES millioni)	Multiple on Cost	Jumla IRR (%)
Carbacid	2009	2011	431	1,200	2.79x	66.9%
Tanzania Breweries Ltd	2012	2015	1,773	7,000	3.95x	184.8%
CAL Bank Ltd*	2012	2018	422	1,156	2.74x	92.2%
Kenya Re-Insurance Corporation Ltd Ord 2.50	2012	2018	188	774	4.12x	39.2%
Bralirwa	2012	2014	88	317	3.63x	38.1%

*Bado tunamiliki hisa za KES 65 milioni katika Banki ya CAL.

Soko la mapato ya kudumu linavutia na kuna nafasi nzuri ya mapato bila tishio lo lote kubwa kwa uwekezaji wetu. Tunaweza kuvuna faida nzuri ya pesa taslimu huku tukingoja kuwekeza mtaji katika hazina yetu binafsi ya hisa zenye riba isiyobadilika au orodhafedha ya QPE.

Soma mengine zaidi kuhusu orodhafedha ya mali isiyohamishika kuanzia ukurasa 109 hadi 111

Hitimisho

Nikimalizia, ningependa kushukuru wenyehisa na Bodi kwa kunipatia nafasi ya kuwatumikia kwa miaka 10 iliyopita. Nilishika hatamu za uongozi wa kampuni hii mnamo Desemba 2008 ikiwa na mali ya jumla ya KES 6 bilioni na KES 10 milioni pesa taslimu. Mali hiyo imeongezeka hadi KES 71.6 bilioni zilizopo sasa nayo thamani ya daftarini ya fedha za wenyehisa imefika KES 52.6 Billion. Ninajivunia kwa vile tumekuza thamani ya hisa za wenyehisa wetu na kwa nia thabiti bila kushukisha thamani ya umilikaji wa wenyehisa kwa kutoa hisa mpya. Nina matarajio makubwa na awamu mpya ya safari yetu ya ukuaji ambapo tutalipia deni letu lote na wakati huo huo tuendelee kuimarisha mapato kwa wenyehisa na kupunguza tofauti kubwa iliyopo kati ya thamani ya hisa zetu katika soko na thamani halisi ya mali zetu.

Ningependa kuwashukuru wafanya kazi wenzangu. Tunaendelea kuzingatia maadili yetu ya uaminifu, uadilifu na kutimiza ahadi. Nina imani kwamba kundi hili la wataalamu limejitolea kufanikisha yote tuliyoahidi katika Centum 4.0.

Mworia.

Dkt. James Mworia, CFA
Afisa Mkuu Mtendaji wa Kundi

CFO'S REVIEW

Understanding Our Business and Performance

As an investment holding company, we use the Total Return Statement to evaluate our performance on a continuous basis. The Total Return Statement measures the extent to which earnings and cash flows are available to Centum to meet its costs, service debt obligations and pay dividends to shareholders. It also shows the value created in any given year within our investment portfolio and hence the growth in total shareholder funds. Cumulative unrealized gains represent an estimate of realizable proceeds, upon exit. On the other hand, we are required by the Kenya Companies Act and International Financial Reporting Standards (IFRS) to prepare consolidated financial statements. The consolidated performance, in effect, sets out the financial performance of the underlying portfolio companies and the proportion of that performance that is attributable to our shareholders.

We segment our business into four portfolio classifications:

a. Private Equity;

b. Real Estate;

c. Marketable securities; and

d. Development portfolio, representing those investments, outside of real estate, that are still early stage.

The entities that make up each category, both subsidiary and non-subsidiary, are set out under the business review section from page 94.

Total Return Statement for the Year (KES Millions)	31 March 2019	31 March 2018
Dividend income	700	2,040
Interest income	1,197	1,347
Other income	8	133
Realised gains	1,262	9
Unrealised gains	4,239	4,001
Gross return	**7,406**	**7,530**
Portfolio costs	(631)	(853)
Finance costs	(1,710)	(1,646)
Current and deferred tax	(353)	(354)
Total return	**4,712**	**4,677**
Opening NAV	48,686	44,807
Gross return as a percentage of opening net asset value	**10%**	**10%**

The Group and Company performance drivers under each of the business segments are set out below.

i. Private Equity

During the year, the Company completed the disposal of GenAfrica Asset Managers Limited, realising a gain of KES 1.2 billion. Through this transaction, the Company achieved a holding period IRR of 29% for the investment, demonstrating our track record in growing shareholder wealth through an optimal investment strategy, portfolio management and successful exits.

The Group's beverage business reported a flat performance in revenues, with a nominal decrease of 2%. This performance was largely on account of weather-related distribution channel disruptions in 2018 and depressed consumer demand in the first half of the year. This trend has however reversed in the quarter ended 31 March 2019, with revenues growing by 22% compared to a similar period last year.

The Group's banking subsidiary, Sidian Bank Limited, has seen significant improvement in its performance compared to the prior year. The bank's focus on growing its non-funded income through growth in trade finance business has seen non-funded income increase by 44% compared to 2018. Notably, non-funded income was higher than net interest income during the period while trade finance balances have grown by 77% over the last 12 months, demonstrating the successful implementation of the bank's new strategic focus. The bank has also recorded a 10% growth in total assets and 15% in customer deposits over the twelve-month period ended 31 March 2019. To support this growth, we recapitalised the bank in 2018 through a full subscription to its KES 1.1 billion rights issue. The bank also closed on a KES 1.2 billion Tier II Capital Facility from Denmark's Investment Fund for Developing Countries (IFU). The bank's strong capital base, balance sheet and trade finance book have provided it with a strong growth platform that saw it return to profitability in the quarter ended 31 March 2019.

Within the trading subsidiaries segment, Longhorn Publishers Limited recorded a 141% growth in profitability over the twelve-month period to 31 March 2019, driven by a strong top line performance, on account of both geographical and product diversification.

ii. Real Estate

Our focus in the real estate portfolio is monetisation of our land banks through in-fill projects development or sale of development rights. The current pipeline of in-fill projects, pre-sale level and realized sale value is set out under the Real Estate section on page 107. During the year, we closed a number of development rights sales in our land banks at valuation multiples that are several times our book carrying value. We also broke ground at our Vipingo Industrial Park, where some of those development rights were sold. The underlying activity and sales in the real estate portfolio saw a growth of KES 3.3 billion in fair value gains across the portfolio.

iii. Marketable Securities

The Group held a marketable securities portfolio of KES 3.8 billion as at 31 March 2019 (2018: KES 3.4 billion). During the year, the portfolio recorded a realised cash investment income of KES 400 million. Consistent with the overall performance of markets, particularly the NSE, the portfolio valuation decreased by KES 533 million during the year.

Portfolio Costs

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

Performance in the year is set out below.

KES Million	31 March 2019	31 March 2018
Portfolio costs	631	853
Closing portfolio value	71,644	66,087
Cost efficiency	**0.88%**	**1.3%**

The Company recorded a 26% decrease in operating expenses. Stripping one-off costs in both years, recurrent expenses decreased by 20%, reflecting the Company's continued focus on operational efficiency.

Net Asset Value and total assets

The performance in total returns is reflected in the 8% growth in the book value of shareholder funds, which closed at KES 52.6 billion. The Net Asset Value (NAV) per share increased from KES 73.16 in 2018 to KES 79.05 as at 31 March 2019. Total assets on the other hand grew by 8.4% from KES 66.1 billion to KES 71.6 billion. The growth in total assets primarily reflects the investment activity, as summarized below and the total returns during the year.

Investment activity	KES Mn
Private Equity	1,040
Real Estate	512
Development portfolio	283
	1,835

The asset and NAV attribution per asset class is as summarized below in KES Million.

Sector	**Assets** *KES Million*	**Total Liabilities** *KES Million*	**NAV** *KES Million*	**NAV Per Share** *KES*
Private Equity	25,873	4,667	21,207	31.87
Real Estate	35,890	10,971	24,919	37.45
Marketable securities	4,450	5	4,450	6.69
Development	5,431	3,406	2,025	3.04
TOTAL	**71,644**	**19,049**	**52,600**	**79.05**

The valuation of unquoted investments is an area of judgment, involving significant estimates and assumptions. The key assumptions and the quantitative data applied in the valuation of our portfolio is set out under Note 1.5.1 of the financial statements.

Funding and Gearing

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

Borrowings (KES Million)	31 March 2018	31 March 2019
Bond II (2015)	6,405	6,367
Term Loan	5,798	7,520
Total	**12,203**	**13,887**

The Company is on-course to settling the term loans in 2019 and the bond upon maturity in 2020. The objective is to deleverage the Company's balance sheet as the various portfolio projects under Real Estate are now cash generative and able to fundraise without recourse to Centum.

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

KES Million	FY15	FY16	FY17	FY18	FY19
Operating Inflows	8,114	7,904	5,259	6,270	3,706
Operating Outflows	(519)	(1,033)	(922)	(667)	(769)
Internally Generated Funds	7,595	6,871	4,336	5,603	2,937
Finance Costs	814	1,511	1,754	1,768	1,710
Debt Service Coverage	**9.3x**	**4.5x**	**2.5x**	**3.2x**	**1.7x**

The overall gearing level was at 30% against the covenant ceiling of 50%, as summarised below:

KES Million	FY15	FY16	FY17	FY18	FY19
Net Debt (Total debt less cash)	3,896	6,559	12,209	13,765	15,892
Equity (Net Asset Value)	31,939	39,314	44,808	48,686	52,600
Net Debt to Equity	12%	17%	27%	28%	30%
Long Term Debt to Equity	24%	27%	31%	26%	30%

In our last credit rating, Global Credit Rating affirmed Centum's credit rating of A (long term) and A1 (short term) with a positive outlook, primarily citing the Group's substantial value enhancement as evidenced by growth in Net Asset Value under the current strategy period.

Dividends

Over the past three years, we have returned KES 2.4 billion in dividends to shareholders. The Board of Directors has recommended the payment of a dividend equivalent to KES 1.20 per share (equivalent to KES 799 million) for the financial year ended 31 March 2019. This brings the total dividends paid over the Centum 3.0 strategy period to KES 3.1 billion.

OUR PEOPLE

THE GROUP'S EMPLOYEES ARE OUR GREATEST ASSET AND WE ARE COMMITTED TO DEVELOPING OUR EMPLOYEES AND THEIR CAPABILITIES.

During the year, we took action to build and modernize our staff structure in line with our revised strategy – Centum 4.0. This included key initiatives highlighted on the following pages.

OUR PEOPLE

Our People Strategy and Pillars

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

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

Culture

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

Talent Planning and Management

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

Compliance

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

Performance Management

Align Group strategic imperative to individual employee contributions.

Employee Engagement

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

Reward

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

Key Initiatives

Gender and diversity measures/ initiatives	› Mentorship programs now in place for both men and women › State-of-the-art lactation room for nursing mothers › Post-maternity flexi working arrangements › In FY 2020, we have plans to enrol Women in Executive Leadership
Innovation	› **My Idea Portal**: to encourage employees to come up with ideas on how to make Centum better › **Learn** and **Innovate**: Incorporated as a value for Centum to encourage employees to live the value of **Innovation** › HR Care desk: a dashboard which was introduced to measure the turnaround time for the HR Department
Health and Safety	› Risk Assessment and Annual audit conducted in Q3 › Health and Safety Policy has been formulated and was tabled to the board in February 2019 › Two workplaces were registered in Q3 at Two Rivers and Ol Kalou for Centum and Greenblade respectively › Health and Safety Training was conducted in Q2 and Q3 of FY 2019 (First Aid, Fire Safety and OSH training) › Health and Safety representatives from each subsidiary have been certified › Rolled out Health and Safety Training at Subsidiary level- Greenblade and Nabo Capital › During the employer of the year awards by FKE, Centum was first runner-up for Workplace Environment category
Ethics Hot Line	› Whistle blowing policy is in place which aims to encourage staff to report fraud, risk and irregular activities › As part of the induction program, all new employees sign the Conflict of Interest policy and are inducted on the Code of Business Conduct › All employees are required to sign the Conflict of Interest declaration
Bribery and Corruption	› As part of the induction program, all new hires are inducted on the Code of Business Conduct which covers bribery, corruption etc
Cyber Security Awareness	› As part of the induction program, all new joiners are inducted on cyber security › The ICT Department contracted a 3rd party to provide Information System Security training. Training was held twice in February 2019.

BUSINESS REVIEW


CENTUM

PRIVATE EQUITY

Our Investments

Sector	Asset	Stake	Carrying Value KES million
Consumer	ALMASI BEVERAGES LIMITED	54.0%	9,851
	CCS Coca-Cola Sabco Nairobi Bottlers Ltd.	27.6%	6,912
	ISUZU EAST AFRICA	18.8%	2,021
	NAS SERVAIR	15%	882
Financial Services	SidianBank	81.9%	3,315
	NABO CAPITAL	100%	442
	ZOHARI LEASING	100%	253
	BARIUM CAPITAL	100%	-
Education	LONGHORN PUBLISHERS LIMITED	60.2%	1,040
	ACE AFRICA CREST EDUCATION HOLDINGS	16.4%	711

SEE NOTE 6 ON CLASSIFICATION AND VALUATION APPROACH OF THE ASSETS ON PAGE 185

Value Drivers for FY19

Profit Growth	**75%** of the assets had a positive profit after tax	**75%** of the assets increased in profitability vs. previous year
Dividends	**63%** of the assets paid a dividend	**38%** of the assets increased the dividend paid vs. previous year

Investment Activity

KES 1.2 billion realised gains from completed disposal of GenAfrica achieving an IRR of 29%

KES 1.13 billion subscription to Sidian Bank Limited rights issue

KES 1.1 billion Tier II facility investment into Sidian Bank Limited by IFU

Our Business Model

We have, since inception, invested in private equity, with the specialist team for this asset class now operating as Centum Capital Partners Limited ("CCAP") – a wholly owned, independently managed subsidiary of Centum.

In fulfilling Centum's mission to create tangible wealth by providing the channel through which investors access and build extraordinary enterprises in Africa, CCAP has followed a thematic approach in all its investments. Our investment rationale is pegged on a well thought-out investment criteria highlighted below;

i. have strong incumbent management teams that have an exceptional track record;

ii. are the top quartile in terms of market share, revenues and/or profitability;

iii. offer scope for significant growth and diversification regionally and by product offering;

iv. Have sustainable business economics in terms of revenue growth, profit margins, asset utilization and risk mitigation;

v. offer a controlling stake or significant minorities with opportunities to exercise control, voting and governance rights;

vi. offer multiple strategic exit routes within the investment horizon; and

vii. offer neutral or positive social and environmental impact.

CCAP seeks to diversify its investments across both sector and geography in a bid to not only mitigate concentration risks but also to take full advantage of East Africa's attractive microeconomic profile. We have therefore identified target countries across East Africa that have suitable economic characteristics. These markets in order of focus are;

- Primary: Kenya, Uganda,
- Secondary: Rwanda, Ethiopia, Tanzania
- Tertiary: South Sudan, Burundi.

Investment Activity

During the year, we were successful in completing the GenAfrica transaction attaining a holding period IRR of 29%. After the year ended 31 March 2019, we signed an agreement on 10 June 2019 to sell the total combined stake in Almasi Beverages Limited and Nairobi Bottlers Limited to Coca-Cola Beverages Africa Limited ("CCBA") at a transaction valuation of KES 19.5 billion; the two investments are carried at KES 16.8 billion, an uplift from prior year valuations of KES 13.8 billion. We anticipate that this transaction will be complete in the financial year ended 31 March 2020.

FY2019 Performance

BANKING SUBSIDIARY

Sidian Bank, our banking subsidiary, made a loss of 359 million, a 15% improvement from previous year. It secured mezzanine financing from IFU of USD 12 million towards its trade finance business which is expected to continue growing to push the bank's profitability. Non-funded income (NFI) increased by 60% from 2017 to 2018 which was mainly driven by increased trade finance business. The contribution of NFI to total income is expected to increase as the bank increases transaction-based income by onboarding trade finance clients onto other bank platforms whilst increasing usage by existing clients.

TRADING SUBSIDIARIES

Our trading subsidiaries continued to deliver strong results during the year. Substantial investments were made to increase capacity of Almasi Bottlers Limited with the installation of a preform line. Almasi experienced a drop In volumes due to an extended cold and rainy season.

Our listed subsidiary, Longhorn Publishers received 1SO 9001: 2015 Certification, affirming its commitment toward continuous improvement of its processes and procedures to deliver value to all its stakeholders. The company is exploring expanding entry into new and existing markets such as Namibia, Zambia, DRC and Cameroon.

All our subsidiaries maintained good standing with the regulators from a compliance perspective while operating profitably.

Find Longhorn Financials on longhornpublishers.com/investors-ke

ASSOCIATE COMPANIES

Nairobi Bottlers Limited, one of our associate companies in the consumer sector, was involved in the launch of new products, mergers and acquisition activities, recycling and environmental conservation initiatives to curb pollution emanating from the company's activities.

Isuzu East Africa Limited continued to meet its strategic targets despite the unfavourable trading conditions that were as a result of result government spending on vehicle acquisition and private sector spending. In the near-term, the company is seeking regional diversification into the broader East African region namely Uganda, Tanzania and Rwanda.

Through ACE Holdings, we successfully launched SABIS® International School – Runda in September 2018 and currently have 70 students and 42 staff enrolled. Moving forward, we seek to grow the enrollment in the Runda school as well as expand the asset base through acquisitions and development of pipeline schools across various identified locations.

Our Strategic Objectives Under 4.0

Under Centum 4.0, Centum Capital Partners has been repositioned as an institutional private equity fund manager. Centum's private equity portfolio will be segmented into two business lines i.e. Fund I and Fund II.

Fund I – portfolio comprised of legacy Centum investments and mature companies. We are currently in the exit phase of this portfolio and we target to conclude this by 2024.

Fund I Assets	Fund I Asset Plan
› Longhorn Publishers Plc › Nas Servair Limited › Sidian Bank Limited › Zohari Leasing Limited › Isuzu East Africa Limited › Africa Crest Education (ACE) Holdings	› Deliver returns to Centum through progressive dividend payments. › Focus will be placed on driving value creation in these assets through active portfolio management. › Robust exit pipeline of mature assets across the portfolio to optimize gross return.

Fund II

Centum, through Centum Capital Partners, will cornerstone a KES 50 billion mid-market buyout fund focused on East Africa and investing across seven growth sectors under which Centum Group will make a commitment of up to 20% of the Fund. Local and institutional investors will make up the balance of the fund's target Assets Under Management.

The Centum 4.0 strategy differs from Centum 3.0 in that in the previous strategy we undertook greenfield projects and de-risked them with the intention of attracting third party capital once the projects became cash generative. Some of the Companies set up under the previous strategy currently sit in our Development portfolio and some under the PE portfolio.

Centum 4.0 will be a hybrid of Centum 2.0 and Centum 3.0 with a bias towards Buyout and Growth transactions. Focus will be placed on value creation for the existing assets with a view of an exit in the medium term while identifying market leaders and actively driving value creation objectives to deliver market leading returns.

Outlook

In the near-term, Centum Capital Partners seeks to exit Fund I assets while setting up Fund II that attracts third-party capital for co-investment with Centum in FY 2020. By co-investing the Company's funds with other third-party funds through Fund II, the PE segment will expand its ability to access strategic companies and drive growth by acquiring controlling stakes. Against this, we have a series of acquisitions and investments, that are being considered internally and at a Board level.

DEVELOPMENT

Our Investments

The Development Portfolio's focus is to generate substantial value to the existing assets with the aim to exit within the current strategic period.

Sector	Asset	Stake	Carrying Value KES million
Agribusiness	Greenblade Growers Limited	100%	61
Power	amu power	51%	2,098
	Akiira Geothermal Limited	37.5%	1,542

SEE NOTE 6 ON CLASSIFICATION AND VALUATION APPROACH OF THE ASSETS ON PAGE 185

Managed by CENTUM

FY 2019 Performance

The agribusiness subsidiary has engaged out-growers and offered extension services to meet demand for produce and as a way of impacting local communities.

Greenblade Growers Ltd aims to increase the area under utilization in Tumaini farm from 7Ha to approximately 20Ha in 2019 with product diversification to increase the product offering by including vegetables and tropical fruits. They aim to deliver a 20% return on invested capital to shareholders.

Akiira is currently undertaking feasibility studies before commencing the drilling of three more wells at the site. This will bring the number of wells drilled to five.

Akiira has also launched several initiatives aimed at enhancing inclusion of pastoralist communities in finance, agriculture and education.

Amu Power has been taking the necessary steps to achieving financial close. However, beyond the period under review, the National Environmental Tribunal revoked the project company's Environmental and Social Impact Assessment license. As financial investors, Centum is keen to see that in all aspects of operations, Amu Power observes the highest levels of compliance with legal and regulatory requirements in its proposed power project.

Strategic Focus

Our development portfolio has assets in power and agribusiness sectors. The power sector growth is driven by consumer demand or increased industrialization plus government social programs to electrify its citizens. The power sector has high barriers to entry mainly due to the uncompetitive tariffs offered to keep electricity costs low thus insufficient for long term sustainability of power plants, huge capital outlays especially the geothermal power, huge risks in the initial exploration for power stage especially the geothermal sector and an underdeveloped and a risk averse local debt capital market coupled with high cost of debt.

Growth in agribusiness sector and particularly in the herbs business where our subsidiary plays is driven by demand for fresh fruits, herbs and vegetables locally and internationally as health awareness increases. The herbs subsector has three dominant players locally there is however a large unfulfilled market that offers growth opportunities for our subsidiary.

Outlook

Going forward, the strategy for our development portfolio is to develop the existing assets into profitability before transitioning them into our private equity portfolio or exiting to a strategic investor at an opportune time.

REAL ESTATE

As the region's leading real estate developer, we master plan and develop pre-eminent urban nodes in East Africa, transforming them into places where people want to live, companies want to grow, and neighborhoods come alive.

OUR CORE VALUES

We deliver to promise

We invest responsibly

We value our people

We learn and innovate

Managed by CENTUM re

STRATEGIC EVOLVEMENT

Centum
1.0
1968 - 2009

Deliver market beating returns

"Generalist" real estate investor holding commercial highrise buildings for rental yield

Centum
2.0
2009 - 2014

Proactive value creation through growth and structured investments

Focus on launching the commercial impetus for mixed used developments

Developed in house capabilities to execute real estate developments on behalf of the Centum Group

Centum
3.0
2014 - 2019

Developer of investment grade opportunities

Focus on attracting 3rd party capital to de-risk large mixed-use developments and avail construction ready sites to investors in line with master plan

Centum
4.0
2019 - 2024

Developer of infill developments across all market segments with a focus on middle to affordable market housing

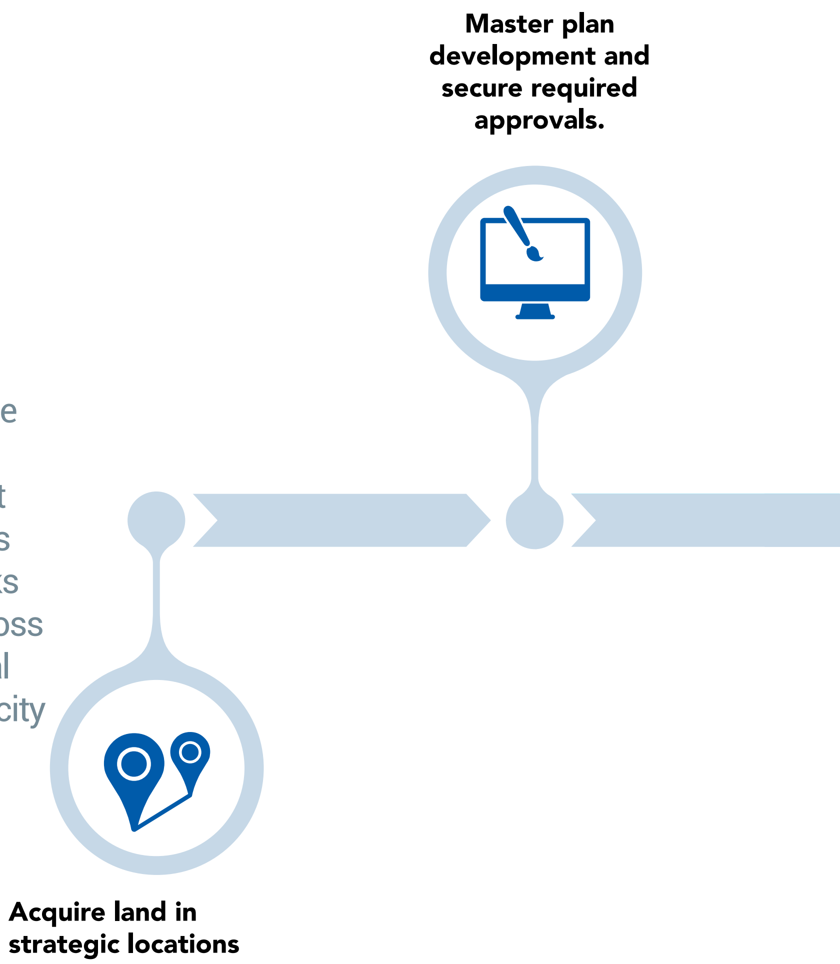
Focus on monetization of current land bank and continued activation of our urban nodes

Investment Strategy

Rationale and Business Verticals

Our Value Creation Process

Our objective within the Real Estate sector is to develop urban nodes across the East African region that represent investment grade assets of scale. Our business model seeks to master plan attractive sites across the region and provide commercial impetus for investors to establish city shifting development.



Infill Development Framework	Feasibility Business Case	Concept Business Case
Objectives	› Compelling value proposition that has been approved by internal stakeholders and meets the return requirement of 30%.	› Updated product brief. › Third party detailed market study. › Concept product designs. › Concept marketing strategy. › Final financial model. › Final concept business case and information memorandum.
Overarching Decision Criteria	› Compelling value proposition that has been approved by internal stakeholders and meets the return requirement of 30%.	› Third party validation of the commercialization assumptions of the concept business case.
Timelines	1 month	2 months

Attract third party capital at development level.

3

4

5

Develop infrastructure, anchor projects and select in fill developments.

Avail construction ready sites to investors in line with master plan.

Market Validation & Fundraising	Pre-Construction	Construction
› Final market launch and collateral. › 30% presales of Gross Lettable Area (GLA), Gross Built- up Area (GBA) or acreage. › Secured financing	› Detailed design and bills of quantities. › Final negotiations and award of fixed contracts. › Detailed construction program and milestones.	› Project update/ progress reports (cost, time and quality). › Site-visits. › Project completion/ close-out report
› Securing 30% presales target. › Securing executed debt and equity term sheets aligned with concept business case.	› Securing a fixed sum contract.	› Time › Quality › Cost
6 months	1 month	24 months

REAL ESTATE

Our Current Investments

The Group is developing three projects within the real estate portfolio namely Two Rivers Development in Nairobi, Vipingo Development in Kilifi and Pearl Marina Development in Uganda. Focus within these three developments has seen continued activation of the sites and monetisation events. The three companies have gained significant traction in pre-sale of residential infill projects and land development rights.

Land Banks			Joint Venture Company	Facility Management and Security	
58.3%	100%	100%	100%	100%	**Shareholding**
9,898	13,865	8,710	-	17.1	**Carrying Value** KES million
Two Rivers Development Limited owns 102 acres master planned development in Gigiri, Nairobi, with Two Rivers Mall as the anchor investment. Two Rivers Development Limited owns a 50% stake in Two Rivers Lifestyle Centre Limited ("TRLC"), the developer of the Two Rivers Mall.	**Vipingo Development Estate** owns 10,254 acres of land in Kilifi County, Kenya.	**Pearl Marina Estates Limited** is a 389-acre mixed use development located on the Garuga Peninsula, Entebbe, Uganda.	**Centum Development Limited (KE)** is a wholly owned subsidiary of Centum Real estate that has the mandate of developing residential units through joint venture partnerships with landowners.	**Tribus-TSG** offers innovative solutions in security management, facility management, customer facing services and entertainment. Tribus' main goal is to be a recognized leader in providing quality, comprehensive, tailored solutions by leveraging on the latest technology.	

See note 1.5 on Classification and Valuation Approach of the Assets on page 154

FY 2019 Performance

Real Estate Residential Infill Projects

Current Pipeline

Below are units being developed on our existing landbanks and exclude planned rollout of 5,000 affordable mid-market units through JV with landowners

	Phase 1	Pre-sales		Sale value of pre-sold units as at 31 March 2019
	Units under development	Units	% of Phase 1	KES million
Two Rivers	510	56	11%	811
Vipingo Development Limited	402	325	81%	1,314
Pearl Marina	376	201	53%	1,663
	1,288	582	45%	3,788

Sale of Development Rights and Bulk Land

	Units of Measurement	Available for Sale	Sold as at 31 March 2019
Two Rivers	Square Metres	1,373,686	68,150
Vipingo Development Limited	Acres	10,254	31
Pearl Marina	Acres	389	3

Centum 4.0 Real Estate Strategic Priorities

Our strategic priorities under Centum 4.0 include;

- **Existing Land bank:** We aim to monetize our existing land bank by launching new infill developments and selling bulk land/development rights, while optimizing the portfolio's capital structure.
- **Affordable Nodes Program:** We plan to expand into new sites in Kenya and Uganda that meet our criteria, targeting opportunities in affordable mid-market housing.
- **Existing Developments:** We plan to enhance our existing developments through new anchor hospitality and leisure /lifestyle developments through own and third-party equity fund.

MARKETABLE SECURITIES

Our Investments

1%
Cash

38%
Fixed Income

47%
Equities

8
Markets invested in across Africa

14%
Mutual Funds

The Marketable Securities Portfolio (MSP), managed by Nabo Capital Limited ("Nabo") – a boutique asset management firm that is a wholly owned subsidiary of Centum – constitutes investments in quoted assets such as equities, fixed-income securities, among others.

Our Business Model

Nabo's mandate is to generate attractive risk-adjusted returns across the market cycle, and to ensure adequate liquidity for the group - while minimising cash drag. To achieve this, we employ an active cross-asset strategy that seeks to capitalize on investment opportunities within prevailing themes. There is a strong focus on capital preservation during periods of market decline and the team works hard to generate strong performance in bullish markets.

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

Features of our value creation approach

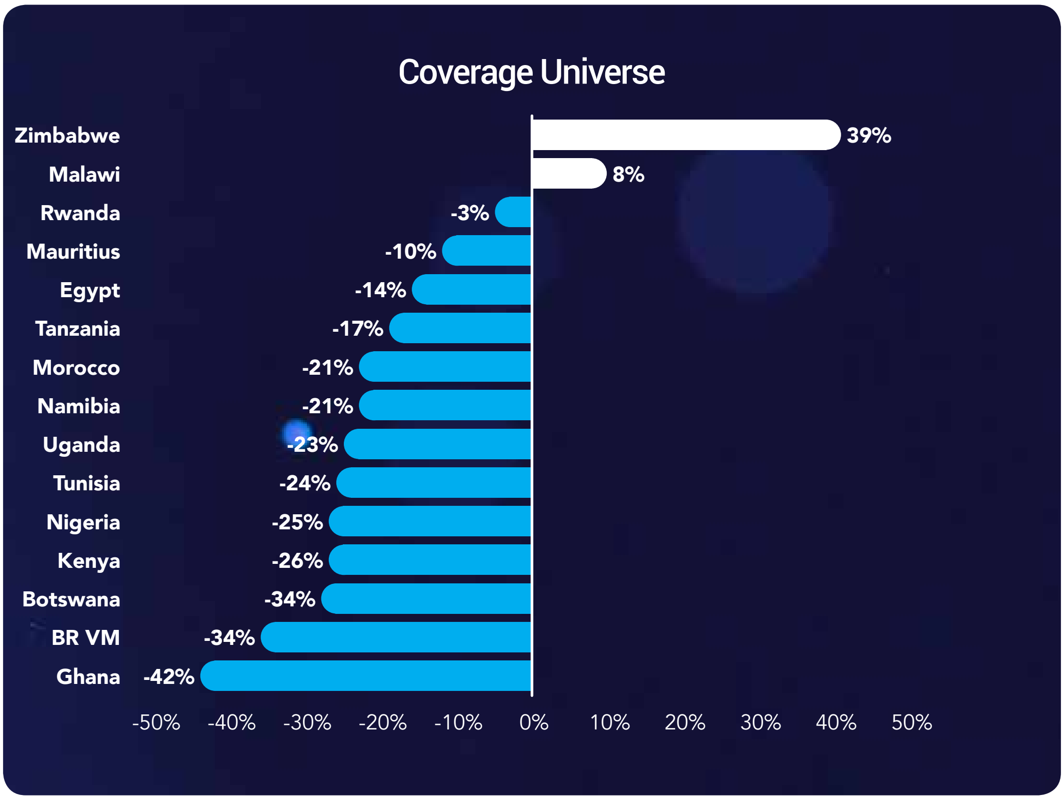
Dynamic Asset Allocation: Our multi-strategy approach permits us to remain agile and flexible in ever changing markets. We have decades of experience and comprehensive cross-asset capabilities in Equities, Fixed Income and Private Markets (Credit) that we deploy to capitalize on evolving opportunity sets.

Research Rigor: We take an academic approach to idea generation and rigorously debate why each opportunity presented exists, its catalysts and attendant risks, what we might be overlooking, the journey to profitability and the exit strategy.

Alignment of Interests: Nabo receives compensation that is linked to the Marketable Securities Portfolio's profitability, triggered by performance above a specified hurdle rate and subject to a high watermark. This ensures a strong alignment of interests.

Our approach is codified in our investment process which allows us to opportunistically allocate capital to the most compelling ideas.

MARKETABLE SECURITIES



FY 2019 Performance

By any measure, 2018 was indeed a challenging year for investors that saw regional equity markets reverse prior-period gains, with our benchmark index falling -26% over the period.

A look at specific markets in our coverage universe as in the chart below paints a picture of the drivers of market performance in 2018. Note that with the exception of Zimbabwe, all other market indices in our coverage universe recorded steep declines in US Dollar terms.

The negative performance could be majorly attributed to a reversal in portfolio flows triggered by wide-spread contagion from an Emerging Market "risk-off" trade that saw foreign investors dump their holdings in risky asset classes and switch into safe-haven holdings. This reversal was largely influenced by:

- Rising interest rates in the U.S and a resurgent U.S Dollar
- Scaling back of quantitative easing measures in Europe and increasing uncertainty over the impact of Brexit
- Rising trade tensions on the back of the U.S/ China tariff spat

Equity markets in our coverage universe also reflected the fairly difficult domestic macro conditions on the ground, on the back of falling commodity prices impacting Zambia and Nigeria, and stubbornly high rates of inflation witnessed in Egypt. These headwinds were punctuated by rising political risk; with a disputed election in Nigeria, potential extension of term limits in Egypt and rising tensions within Kenya's ruling party, following the now famous "handshake".

Against this backdrop, the portfolio's Fixed Income (Credit) assets performed well relative to Equities. Performance of the MSP portfolio is presented in more detail in the table below:

Portfolio Returns		
	in Local Currency (%)	in US Dollars (%)
Centum MSP (QPE)	-5.6%	-5.4%
NSE 20 Share Index	-24.9%	-27.2%
MSCI Africa ex-ZA Index	-17.2%	-17.2%

Outlook

Falling equity markets are a regular part of investing and while unpleasant to experience, periods of draw-down should, in our informed view, be seen as opportunities to increase allocations to the asset class.

We have in 2019 started to see Equity and Fixed Income markets recover from their 2018 lows and we are fairly optimistic that we shall participate in the upswing if, as expected, the bullish trend taKES root over the next 12 to 18 months.

Our research suggests that the market's valuation of our portfolios represents a 60% discount relative to our estimate of intrinsic value of the underlying companies and assets.

This is the widest gap seen since April 2017. Whereas it is not immediately apparent when this gap will close, what matters in the long run is the portfolios actual underlying business performance and not the investing public's ever-changing opinion about the underlying business' valuation in the short run.

For now, we forge ahead, continuously scanning the market for investment opportunities utilizing our investment process that has served us well in the past, alongside a healthy dose of patience, discipline and research rigor.

FINANCIAL STATEMENTS

Year ended 31 March 2019

DIRECTOR'S REPORT

The Directors submit their report together with the audited financial statements of Centum Investment Company Plc (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 March 2019.

Business review

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

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

a) Real estate;

b) Private equity portfolio - representing our trading subsidiaries or investments that have progressed from development to a cash generating stage. Investments under this segment include the beverage, publishing, financial services and utility companies;

c) Development portfolio - representing investments outside of real estate, that are still under development; and

d) Marketable securities and cash.

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

Perfomance

The Group reported a profit after tax of Ksh 4.1 billion representing a 48% growth driven by higher realised gains, improved performance of our publishing business and higher property valuations.

Total trading revenue grew by 7% to Ksh 10.9 billion driven by publishing businesses while beverage business revenues remained resilient against chilly weather conditions, distribution interuptions and a challenging economic environment.

Financial services income increased by 23% to Ksh 3.5 billion as non funded income from banking business continued on its growth streak in the year. Growth in interest income remained subdued as interest capping regulation remained in force.

Outlook

The Group's five-year strategic plan dubbed Centum 4.0 sets out strategic pillars which will institutionalize Centum through focusing on delivering consistent and sustainable returns to both our investors and shareholders. These pillars are centred on return and dividend payout, capital structure and liquidity, operating costs, portfolio focus and organisational effectiveness.

Results

For the year ended 31 March:	**Group**		**Company**	
	2019	**2018**	**2019**	**2018**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**
Profit before tax	4,438,846	3,146,650	826,749	1,029,740
Income tax expense	(318,600)	(490,352)	(83,883)	11,513
Net profit from continuing operations	4,120,246	2,656,298	742,866	1,041,253
Profit from discontinued operation net of tax	-	135,600	-	-
Profit for the year	4,120,246	2,791,898	742,866	1,041,253

The results for the year are set out fully on pages 125 to 252 in the financial statements.

DIRECTOR'S REPORT (CONTINUED)

Dividend

The Board of Directors has recommended the payment of a dividend equivalent to KES 1.20 per share for the financial year ended 31 March 2019 (2018: KES 1.20 per share).

Directors

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

1. Dr. D Kaberuka - Chairman
2. Dr. J M Mworia - Managing Director
3. Dr. C Kirubi
4. Dr. L Macharia
5. Hon. W Byaruhanga
6. Mrs. C Igathe
7. Mrs. M Ngige
8. Industrial Commercial and Development Corporation
9. Mrs. S Githuku
10. Dr. M Ikiara

Disclosures to auditors

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

a) there was, as far as each director is aware, no relevant audit information of which the Company's and Group's auditor is unaware; and

b) each director had taken all steps that ought to have been taken as a director so as to be aware of any relevant audit information and to establish that the Company's and Group's auditor is aware of all that information.

Term of appointment of auditors

PricewaterhouseCoopers continue in office in accordance with the Company's Articles of Association and Section 719 of the Kenyan Companies Act, 2015.

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

By order of the Board

Mwangi J. Mbogo

Secretary

Nairobi

11 June 2019

DIRECTORS' REMUNERATION REPORT

Information not subject to audit

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

Executive Directors

The remuneration of Executive Directors is determined based on remuneration benchmarks in the industry, prevailing market conditions as well as the Company's performance and profitability. The Executive Directors' remuneration is fixed in the employment contract and reviewed periodically by the Nominations and Governance Committee of the Board. Executive Directors are eligible to participate in the Company's bonus scheme which is dependent on the Company's performance and profitability. The basis for determination of staff bonus is set out under Note 2.3.2 to the financial statements. The Executive Directors do not earn fees or sitting allowances.

Non-Executive Directors

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

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

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

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

Professional Indemnity Cover

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

Share options

The Company has no share options issued to the Executive and Non-Executive Directors.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

Information subject to audit

The following table shows a single figure remuneration for the Executive Director, Chairman and Non-Executive Directors in respect of qualifying services for the year ended 31 March 2019 together with the comparative figures for 2018. The aggregate Directors' emoluments are shown on note 12.1 (iv) to the financial statements.

For the year ended 31 March, 2019	Salary Ksh'000	Pension Ksh'000	Fees Ksh'000	Bonuses Ksh'000	Total Ksh'000
Dr. Donald Kaberuka (Chairman)	-	-	2,744	-	2,744
Dr. Christopher Kirubi	-	-	2,508	-	2,508
Industrial and Commercial Development Corporation	-	-	763	-	763
Mr. Kennedy Wanderi	-	-	466	-	466
Hon. William Byaruhanga	-	-	1,908	-	1,908
Dr. Laila Macharia	-	-	2,868	-	2,868
Mrs. Mary Ngige	-	-	2,668	-	2,668
Mrs. Catherine Igathe	-	-	2,868	-	2,868
Dr. Moses Ikiara	-	-	2,628	-	2,628
Mrs. Susan Wakhungu-Githuku	-	-	2,568	-	2,568
Mr. William Haggai			1,339	-	1,339
Dr. James Mworia	42,123	3,161	-	-	45,284
	42,123	3,161	23,328	-	68,612

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

On behalf of the Board

....

Dr. Laila Macharia

Chairperson, Nomination and Governance Committee

11 June 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

ii. Selecting suitable accounting policies and then applying them consistently; and

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

Having made an assessment of the Group's and Company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group's and Company's ability to continue as a going concern.

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

Approved by the Board of Directors on 11 June 2019 and signed on its behalf by:

Dr. James M. Mworia

Mrs. Mary Ngige

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CENTUM INVESTMENT COMPANY PLC

Report on the audit of the financial statements

Our opinion

We have audited the accompanying financial statements of Centum Investment Company Plc (the "Company") and its subsidiaries (together, the "Group") set out on pages 125 to 252, which comprise the consolidated statement of financial position at 31 March 2019 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the Company statement of financial position at 31 March 2019 and the Company statement of profit or loss, Company statement of comprehensive income, Company statement of changes in equity and Company statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements of Centum Investment Company Plc give a true and fair view of the financial position of the Group and the Company at 31 March 2019 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for opinion

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

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

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

Key audit matters

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

PricewaterhouseCoopers CPA. PwC Tower, Waiyaki Way/Chiromo Road, Westlands
P O Box 43963 – 00100 Nairobi, Kenya
T: +254 (20)285 5000 F: +254 (20)285 5001   www.pwc.com/ke

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CENTUM INVESTMENT COMPANY PLC (CONTINUED)

Key audit matters (continued)

Key audit matter	How our audit addressed the matter
Fair value measurement of unquoted investments The Group holds unquoted investments, comprising investments in unlisted entities, measured at fair value. As explained under Note 1.5.1 of the financial statements, the Group uses a variety of approaches in estimating the fair value of these investments. The methods used in determining the fair value of the unquoted investments involves significant estimates and assumptions of unobservable inputs such as comparable market multiples, marketability discounts and control premiums. Changes in these assumptions could result in material adjustments to the carrying amounts of the investments and the recorded gains/losses at the end of year.	We assessed management's processes and controls for determination of the fair values of investments, including the oversight from those charged with governance. We assessed the appropriateness and consistency of the valuation method used and the underlying assumptions such as the selected comparable entities, liquidity discounts, and any other adjustments. We tested the accuracy of the computations. We evaluated the adequacy and consistency of disclosures in the financial statements.
Valuation of investment properties The Group holds significant investment properties measured at fair value. The Group's accounting policy is to measure investment properties at fair value using either the market approach or the income approach depending on the type of property. As explained in Note 1.5.2 of the financial statements, the Group uses external independent property valuers to determine the fair values of investment properties at the year end. The external valuers make significant estimates and assumptions of unobservable inputs in the valuation models such as comparable market prices based on location and zoned use of the property, projected future cash flows, future rent escalations, exit values and the discounting rates. The fair values of the investment properties are highly sensitive to the changes in the underlying estimates and assumptions.	We assessed management's processes and controls over the valuation of investment properties, including the oversight from those charged with governance. We evaluated the objectivity, independence and expertise of the external independent valuation specialists. We assessed the appropriateness of the valuation methodology used and the reasonableness of the applicable assumptions depending on the type of property. Where possible, we tested the calculations of the valuations. We agreed the carrying amounts and the related valuation gains/ losses of the investment properties in the financial statements to the independent valuers reports. We assessed the adequacy of the disclosures in the financial statements.

Key audit matters (continued)

Key audit matter	How our audit addressed the matter
Credit risk and provision for expected credit losses (ECL) on loans and advances Loans and advances is a significant balance in the Group's statement of financial position. The Group implemented IFRS 9 Financial Instruments, on 1 April 2018 which requires recognition of expected credit losses on the Group's loans and advances and off-balance financial assets. Previously, under IAS 39, impairment losses on financial assets were recognised on an incurred loss basis. As explained in Notes 1.5.3 and 7.1 of the financial statements, the determination of expected credit losses involves significant judgment, assumptions and estimates made by management, and the use of complex models. Our audit procedures focused on the following areas in the calculation of the expected credit losses whose outcomes have a significant impact on the financial performance and position of the Group: • the loan classification at the reporting date, including identification of financial assets that have experienced significant increase in credit risk (SICR) or default; • the determination of key inputs in calculating the expected credit losses such as the Probabilities of Default (PDs), the Loss Given Default (LGDs), Exposures at Default (EADs), and the forward looking information. These inputs are based on the analysis of the historical credit patterns of the Group's portfolio of loans and advances, and, in some instances, use of external proxy data; and • the conceptual logic and accuracy of the expected credit losses calculation models used by the Group.	We evaluated the Group's IFRS 9 implementation process, including the governance processes. We obtained an understanding of Group's controls over origination, loan monitoring and identification of loans or counterparties that may have experienced a significant increase in credit risk. We reviewed and assessed management's accounting policies over key IFRS 9 concepts especially significant increase in credit risk, default definition, forecasting of forward looking macro-economic factors, and weighting of expected loss scenarios. We selected a sample of loans and advances accounts and tested their classification in accordance with the IFRS 9 requirements; We tested the completeness and accuracy of historical data used in deriving the key model assumptions. We reviewed the conceptual logic of the modelsand tested the accuracy of the expected credit losses calculation models used by the Group We evaluated the adequacy of the disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CENTUM INVESTMENT COMPANY PLC (CONTINUED)

Key audit matters (continued)

Key audit matter	How our audit addressed the matter
Carrying value of goodwill arising from acquisitions As disclosed in note 8.2 of the financial statements, the Group has significant goodwill arising from acquisitions of subsidiaries. The goodwill is tested annually for impairment by comparing the carrying amount of the individual cash generating unit (CGU) to its recoverable amount. The determination of recoverable amounts, being the higher of value in use and fair value less costs to dispose, requires an estimation of the fair values of the cash generating units (CGUs) or underlying investee entities. The methods, estimates and assumptions used in the determination of the fair values of the CGUs or investee entities are disclosed in note 1.5.1 of the financial statements.	We evaluated the assumptions used by management to determine the fair value of the cash generating units or investee entities as explained in Note 1.5.1 of the financial statements. We performed a sensitivity analysis of the key assumptions used in determining the recoverable amounts to assess the reasonableness of management's conclusions. We assessed the adequacy of the disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CENTUM INVESTMENT COMPANY PLC (CONTINUED)

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information we have received prior to the date of this auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the rest of the other information in the Annual Report and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

pwc

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CENTUM INVESTMENT COMPANY PLC (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Group's and Company's financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Report of the directors

In our opinion the information given in the directors' report on pages 114 and 115 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on pages 116 to 117 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

PricewaterhouseCoopers.

Certified Public Accountants **11 June 2019**

Nairobi

FCPA Michael Mugasa, Practising certificate No. 1478

Signing partner responsible for the independent audit

FINANCIAL STATEMENTS

Consolidated statement of profit or loss

		2019	2018
Continuing operations	**Notes**	**Ksh'000**	**Ksh'000**
Trading business:			
Sales	2.2	10,864,087	10,171,132
Cost of sales	2.3.1(a)	(6,861,496)	(6,586,459)
Gross profit		4,002,591	3,584,673
Operating and administrative expenses	2.3.1(b)	(2,885,221)	(2,515,764)
Trading profit		**1,117,370**	**1,068,909**
Financial services:			
Income from provision of financial services	2.2	3,502,548	2,844,698
Interest expenses	2.4	(962,351)	(812,481)
Net impairment of loans and advances	7.1	(736,469)	(449,171)
Operating and administrative expenses	2.3.1(b)	(2,264,965)	(2,123,637)
Operating loss from financial services		**(461,237)**	**(540,591)**
Investment operations:			
Investment income	2.2	9,549,277	5,569,458
Project and development management fees	2.2	303,329	143,382
Operating and administrative expenses	2.3.1(b)	(2,128,453)	(2,028,205)
Finance costs	2.4	(2,517,605)	(1,761,201)
Share of profits of associates after tax	6.2.1	279,000	236,978
Share of (losses)/profits of joint ventures after tax	6.2.2	(1,702,835)	457,920
Profit before tax		**4,438,846**	**3,146,650**
Income tax expense	3.1	(318,600)	(490,352)
Profit from continuing operations		**4,120,246**	**2,656,298**
Profit from discontinued operations, net of tax		-	135,600
Profit for the year		**4,120,246**	**2,791,898**
Attributable to:			
Owners of the parent		4,446,508	2,633,918
Non controlling interests		(326,262)	157,980
		4,120,246	**2,791,898**
Earnings per share (Basic and diluted)	2.6	6.68	3.96

Consolidated statement of comprehensive income

	Notes	2019 Ksh'000	2018 Ksh'000
Profit for the year		**4,120,246**	**2,791,898**
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss			
Revaluation deficit on land and buildings	8.1	-	(404,353)
Fair value loss on unquoted investments	5.2	(402,718)	-
Fair value (loss) on quoted investments	5.3	(530,540)	-
Deferred tax on revaluation gains	3.2	73,967	-
Reserves released on disposal of investments	2.7	(187,121)	-
Items that may be subsequently reclassified to profit or loss			
Fair value loss on unquoted investments	5.2	-	(465,782)
Fair value gain/(loss) on quoted investments	5.3	-	584,324
Deferred tax on revaluation (loss)/gains	3.2	-	(9,332)
Reserves released on disposal of investments	2.7	-	(34,124)
Currency translation differences		(161,002)	(84,675)
Total other comprehensive loss		(1,207,414)	(413,942)
Total comprehensive income for the year		**2,912,832**	**2,377,956**
Attributable to:			
Owners of the parent		3,239,094	2,219,976
Non-controlling interest		(326,262)	157,980
		2,912,832	**2,377,956**
Total comprehensive income for the year attributable to owners of Centum Investment Company Plc arises from:			
Continuing operations		3,239,094	2,120,513
Discontinued operations		-	99,463
		3,239,094	**2,219,976**

Company statement of profit or loss and other comprehensive income

	Notes	2019 Ksh'000	2018 Ksh'000
Investment income	2.2	3,167,358	3,528,853
Expenses			
Operating and administrative expenses	2.3.1(b)	(630,932)	(852,713)
Finance costs	2.4	(1,709,677)	(1,646,400)
		(2,340,609)	(2,499,113)
Profit before tax		**826,749**	**1,029,740**
Income tax (expense)/credit		(83,883)	11,513
Profit for the year		**742,866**	**1,041,253**
Other comprehensive income for the year			
Items that will not be subsequently reclassified to profit or loss			
Reserves released on disposal of investments	6.1	(1,262,453)	(7,399)
Fair value gain on subsidiaries	6.1	4,135,364	3,767,153
Fair value gain/(loss) on associates	6.2.1	1,834,168	689,661
Fair value loss on unquoted investments	5.2	(422,579)	(466,180)
Fair value gain/(loss) on quoted investments	5.3	(45,556)	17,651
Deferred tax on fair value gains and losses	3.2	(269,192)	(365,156)
Total other comprehensive income		**3,969,752**	**3,635,730**
Total comprehensive income		**4,712,618**	**4,676,983**

Consolidated statement of financial position

		2019	2018
Assets	**Notes**	**Ksh'000**	**Ksh'000**
Property, plant and equipment	8.1	11,067,734	9,665,461
Investment properties	5.1	40,033,745	32,718,667
Intangible assets - goodwill	8.2	1,768,281	2,561,522
Intangible assets - software	8.2	726,765	685,257
Deferred income tax assets	3.2	757,499	460,088
Prepaid operating lease rentals	8.4	57,683	44,481
Investments:			
- Associates	6.2.1	2,920,670	2,745,989
- Joint ventures	6.2.2	7,065,230	9,797,800
- Unquoted equity investments	5.2	4,146,239	4,362,975
- Quoted investments	5.3	1,561,164	1,738,828
- Government securities and corporate bonds	7.2	3,469,523	4,056,427
Loans and advances	7.1	13,188,526	11,772,121
Finance lease receivable	8.3	46,817	4,974
Inventories	4.1	2,146,907	1,692,476
Current income tax	3.1	492,034	459,008
Receivables and prepayments	4.2	6,921,565	5,877,286
Cash and bank balances	4.3	5,393,271	5,819,819
		101,763,653	**94,463,179**
Assets classified as held for sale	8.5	-	1,824,905
Total assets		**101,763,653**	**96,288,084**
Capital and reserves			
Share capital	11.1	332,721	332,721
Share premium	11.1	589,753	589,753
Other reserves	11.2	1,182,443	2,389,857
Retained earnings		38,184,443	35,157,517
Total equity attributable to equity holders of the company		**40,289,360**	**38,469,848**
Non-controlling interest	6.1	11,286,455	12,427,316
Total equity		**51,575,815**	**50,897,164**
Liabilities			
Borrowings (excluding banking subsidiary)	9.1	24,403,263	21,254,255
Banking subsidiary:			
- Customer deposits	7.3	14,816,684	12,832,395
- Borrowings	9.1	2,467,698	3,209,313
Payables and accrued expenses	4.4	5,300,863	4,999,633
Dividends payable	11.3	211,675	154,139
Deferred income	4.5	75,855	90,239
Current income tax liabilities	3.1	24,117	25,516
Deferred income tax liabilities	3.2	2,887,683	2,622,372
Liabilities classified as held for sale	8.5	-	203,058
Total liabilities		**50,187,838**	**45,390,920**
Total equity and liabilities		**101,763,653**	**96,288,084**

The financial statements on pages 125 to 252 were approved by the Board of Directors on 11 June 2019 and signed on its behalf by:

Dr. James M. Mworia

Mrs. Mary Ngige

Company statement of financial position

		2019	2018
Assets	**Notes**	**Ksh'000**	**Ksh'000**
Property and equipment	8.1	127,719	133,106
Intangible assets	8.2	-	205
		127,719	**133,311**
Investment portfolio carried at fair value:			
- Investment in subsidiaries	6.1	42,156,542	37,089,731
- Debt investment in subsidiaries	12.1	15,696,348	13,385,790
- Investment in associates	6.2.1	6,915,641	5,081,473
- Investment in joint ventures	6.2.2	2,097,549	2,099,631
- Unquoted investments	5.2	3,619,410	3,886,780
- Quoted investments	5.3	52,578	98,134
Total portfolio		**70,538,068**	**61,641,539**
Receivables and prepayments	4.2	725,504	910,510
Cash and bank balances	4.3	252,752	1,077,666
		71,516,324	**63,629,715**
Assets classified as held for sale	6.1	-	2,324,230
Total assets		**71,644,043**	**66,087,256**
Capital and reserves			
Share capital	11.1	332,721	332,721
Share premium	11.1	589,753	589,753
Other reserves	11.2	37,798,090	33,828,338
Retained earnings		13,879,605	13,935,269
Total equity		**52,600,169**	**48,686,081**
Liabilities			
Borrowings	9.1	16,144,795	14,842,631
Payables and accrued expenses	4.4	535,452	530,684
Dividends payable	11.3	211,675	154,139
Current income tax	3.1	21,549	23,752
Deferred income tax	3.2	2,130,403	1,849,969
Total liabilities		**19,043,874**	**17,401,175**
Total equity and liabilities		**71,644,043**	**66,087,256**

The financial statements on pages 125 to 252 were approved by the Board of Directors on 11 June 2019 and signed on its behalf by:

Dr. James M. Mworia

Mrs. Mary Ngige

Consolidated statement of changes in equity

	Notes	Share capital	Share premium	Other reserves	Retained earnings	Owners equity	Non-controlling interest	Total equity
Year ended 31 March 2019		**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
At start of year		332,721	589,753	2,389,857	35,157,517	38,469,848	12,427,316	50,897,164
Changes on initial application of IFRS 9		-	-	-	(130,995)	(130,995)	-	(130,995)
		332,721	589,753	2,389,857	35,026,523	38,338,853	12,427,316	50,766,170
Comprehensive income								
Profit for the year		-	-	-	4,446,508	4,446,508	(326,262)	4,120,246
Other comprehensive income:								
Reserves released on disposal of investments	2.7	-	-	(187,121)	-	(187,121)	-	(187,121)
Fair value loss in unquoted investments	5.2	-	-	(402,718)	-	(402,718)	-	(402,718)
Fair value gain in quoted investments	5.3	-	-	(530,540)	-	(530,540)	-	(530,540)
Currency translation differences		-	-	(161,002)	-	(161,002)	-	(161,002)
Deferred tax on revaluation gains	3.2	-	-	73,967	-	73,967	-	73,967
Total other comprehensive income		-	-	(1,207,414)	-	(1,207,414)	-	(1,207,414)
Total comprehensive income		-	-	(1,207,414)	4,446,508	3,239,094	(326,262)	2,912,832
Transactions with owners in their capacity as owners:								
First and final 2018 dividends paid	11.3	-	-	-	(798,530)	(798,530)	-	(798,530)
Dividends paid to non-controlling interests		-	-	-	-	-	(244,916)	(244,916)
Transactions with non controlling interest		-	-	-	(490,058)	(490,058)	(569,683)	(1,059,741)
At end of year		332,721	589,753	1,182,443	38,184,443	40,289,360	11,286,455	51,575,815

Consolidated statement of changes in equity

	Notes	Share capital	Share premium	Other reserves	Retained earnings	Total equity	Non-controlling interest	Total equity
Year ended 31 March 2018		**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
At start of year		332,721	589,753	2,803,798	33,570,323	37,296,595	12,177,609	49,474,204
Comprehensive income								
Profit for the year		-	-	-	2,633,917	2,633,917	157,980	2,791,897
Other comprehensive income:								
Reserves released on disposal of investments	2.7	-	-	(34,124)	-	(34,124)	-	(34,124)
Fair value loss in unquoted investments	6.1	-	-	(465,781)	-	(465,781)	-	(465,781)
Fair value gain in quoted investments	6.2.1	-	-	584,324	-	584,324	-	584,324
Revaluation deficit on property	5.2	-	-	(404,353)	-	(404,353)	-	(404,353)
Currency translation differences	5.3	-	-	(84,675)	-	(84,675)	-	(84,675)
Deferred tax on revaluation gains	3.2	-	-	(9,332)	-	(9,332)	-	(9,332)
Total other comprehensive income		-	-	(413,941)	-	(413,941)	-	(413,941)
Total comprehensive income		-	-	(413,941)	2,633,917	2,219,976	157,980	2,377,956
Transactions with owners in their capacity as owners:								
First and final 2017 dividends paid		-	-	-	(798,530)	(798,530)	-	(798,530)
Dividends paid to non-controlling interests		-	-	-	-	-	(282,676)	(282,676)
Transactions with non controlling interest		-	-	-	(248,193)	(248,193)	374,403	126,210
At end of year		332,721	589,753	2,389,857	35,157,517	38,469,848	12,427,316	50,897,164

Company statement of changes in equity

	Notes	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Year ended 31 March 2019		**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Kshs'000**
At start of year		332,721	589,753	33,828,338	13,935,269	48,686,081
Comprehensive income						
Profit for the year		-	-	-	742,866	742,866
Other comprehensive income:						
Reserves released on disposal of investments	2.7	-	-	(1,262,453)	-	(1,262,453)
Fair value gain in subsidiaries	6.1	-	-	4,135,364	-	4,135,364
Fair value loss in associates	6.2.1	-	-	1,834,168	-	1,834,168
Fair value loss in unquoted investments	5.2	-	-	(422,579)	-	(422,579)
Fair value loss in quoted investments	5.3	-	-	(45,556)	-	(45,556)
Deferred tax on revaluation gains	3.2	-	-	(269,192)	-	(269,192)
Total other comprehensive income		-	-	3,969,752	-	3,969,752
Total comprehensive income		-	-	3,969,752	742,866	4,712,618
Transactions with owners in their capacity as owners:						
First and final 2018 dividends paid	11.3	-		-	(798,530)	(798,530)
At end of year		332,721	589,753	37,798,090	13,879,605	52,600,169

Company statement of changes in equity

	Notes	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Year ended 31 March 2018		**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
At start of year		332,721	589,753	30,192,608	13,692,546	44,807,628
Comprehensive income						
Profit for the year		-	-	-	1,041,253	1,041,253
Other comprehensive income:						
Reserves released on disposal of investments	2.7	-	-	(7,399)	-	(7,399)
Fair value gain in subsidiaries		-	-	3,767,153	-	3,767,153
Fair value loss in associates	6.2.1	-	-	689,661	-	689,661
Fair value loss in unquoted investments	5.2	-	-	(466,180)	-	(466,180)
Fair value loss in quoted investments	5.3	-	-	17,651	-	17,651
Deferred tax on revaluation gains	3.2		-	(365,156)	-	(365,156)
Total other comprehensive income		-	-	3,635,730	-	3,635,730
Total comprehensive income		-	-	3,635,730	1,041,253	4,676,983
Transactions with owners:						
First and final 2017 dividends paid		-		-	(798,530)	(798,530)
At end of year		332,721	589,753	33,828,338	13,935,269	48,686,081

Consolidated statement of cash flows

		2019	2018
Cash flows from operating activities	**Notes**	**Ksh'000**	**Ksh'000**
Cash generated from operations	2.5	3,928,472	3,481,143
Income tax paid	3.1	(288,046)	(780,613)
Net cash generated from/(utilised in) operating activities		**3,640,426**	**2,700,530**
Cash flows from investing activities			
Purchase of investment property	5.1	(86,781)	(361,238)
Purchase of property, plant and equipment	8.1	(3,231,802)	(1,752,058)
Purchase of intangible assets	8.2	(180,457)	(410,263)
Purchase of shares in associates	6.2.1	(115,673)	(81,149)
Purchase of unquoted equity investments	5.2	(185,982)	(263,727)
Purchase of quoted equity investments	5.3	(644,082)	(386,106)
Purchase of corporate bonds at amortised cost	7.2.3	(162,295)	-
Purchase of commercial papers at amortised cost		(30,000)	(340,943)
Purchase of government securities at fair value through profit or loss	7.2.1	(343,541)	(398,739)
Purchase of government securities at amortised cost	7.2.2	(979,791)	(1,886,843)
Proceeds from disposal of unquoted investments	2.7	2,324,230	-
Proceeds from disposal of quoted investments	2.7	320,854	669,801
Proceeds on disposal of government securities at fair value through profit or loss	7.2.1	12,780	50,922
Proceeds on disposal of government securities at amortised cost	7.2.2	1,626,329	1,202,244
Dividends received from associates	6.2.1	216,844	150,544
Proceeds from disposal of associate	2.7	-	1,909,584
Proceeds from disposal of corporate bonds at amortised cost	7.2.3	-	406,415
Net cash used in investing activities		**(2,397,252)**	**(1,491,556)**
Cash flows from financing activities			
Proceeds from borrowings		7,277,245	10,027,559
Repayments of borrowings		(3,581,712)	(8,523,503)
Interest paid on borrowings		(2,989,116)	(2,568,094)
Unclaimed dividends paid	11.3	(17,385)	(16,383)
Dividends paid		(721,779)	(710,733)
Net cash generated from financing activities		**(32,747)**	**(1,791,154)**
Net increase/ (descrease) in cash and cash equivalents		**1,210,427**	**(582,180)**
Movement in cash and cash equivalents			
At start of year		4,074,446	4,656,626
Increase/(decrease)		1,210,427	(582,180)
At end of year	**4.3**	**5,284,873**	**4,074,446**

Company statement of cash flows

		2019	2018
Cash flows from operating activities	**Notes**	**Ksh'000**	**Ksh'000**
Cash generated from operations	2.5	1,486,204	4,794,121
Proceeds from disposal of subsidiary		2,324,230	-
Income tax paid	3.1	(74,846)	(57,009)
Net cash generated from/(utilised in) operating activities		**3,735,588**	**4,737,112**
Cash flows from investing activities			
Purchase of property and equipment	8.1	(14,784)	(116,060)
Investment in subsidiaries	6.1	(931,448)	(335,915)
Net debt investment in subsidiaries		(1,743,017)	(3,226,955)
Purchase of shares in unquoted investments	5.2	(155,209)	(217,261)
Proceeds from disposal of investments in commercial papers		621,507	19,565
Net cash used in investing activities		**(2,222,951)**	**(3,876,626)**
Cash flows from financing activities			
Proceeds from borrowings		3,525,005	6,572,078
Repayments of borrowings		(1,944,015)	(7,438,920)
Interest paid on borrowings		(1,340,199)	(1,601,353)
Dividends paid		(721,779)	(710,733)
Unclaimed dividends paid	11.3	(17,385)	(16,383)
Net cash generated from financing activities		**(498,373)**	**(3,195,311)**
Net increase/(decrease) in cash and cash equivalents		**1,014,264**	**(2,334,825)**
Movement in cash and cash equivalents			
At start of year		(869,910)	1,464,915
Increase/(decrease)		1,014,264	(2,334,825)
At end of year	**4.3**	**144,354**	**(869,910)**

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting framework and critical judgements

1.1 General information

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

Two Rivers Office Towers

8th Floor, South Tower, Limuru Road

P O Box 10518 – 00100, Nairobi

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

1.2 Basis for preparation

(i) Compliance with IFRS

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

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

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

(ii) New and ammended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting year commencing 1 April 2018:

IFRS 15: Revenue from Contracts with Customers

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

1.2 Basis for preparation (continued)

IFRS 15: Revenue from Contracts with Customers (continued)

A new five-step process must be applied before revenue can be recognised:

- identify contracts with customers
- identify the separate performance obligation
- determine the transaction price of the contract
- allocate the transaction price to each of the separate performance obligations, and
- recognise the revenue as each performance obligation is satisfied

The application of the standard, retrospectively has not had a material impact on the financial position or financial performance of the Group and a prior period adjustment has therefore not been required.

IFRS 9: Financial Instruments

This standard will replace IAS 39 (and all the previous versions of IFRS 9) effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition, summarised as follows:

- IFRS 9 requires all financial assets to be measured at fair value on initial recognition and subsequently at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics
- For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.
- For the impairment of financial assets, IFRS 9 introduces an "expected credit loss" (ECL) model based on the concept of providing for expected losses at the inception of a contract; this will require judgement in quantifying the impact of forecast economic factors. For financial assets for which there has not been a significant increase in credit risk since initial recognition, the loss allowance should represent ECLs that would result from probable default events within 12 months from the reporting date (12-month ECLs). For financial assets for which there has been a significant increase in credit risk, the loss allowance should represent lifetime ECLs. A simplified approach is allowed for trade receivables and lease receivables, whereby lifetime ECLs can be recognised from inception.
- For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures
- The derecognition provisions are carried over almost unchanged from IAS 39.

1 Accounting framework and critical judgements (continued)

1.2 Basis for preparation (continued)

(ii) New and ammended standards adopted by the Group (continued)

IFRS 15: Revenue from Contracts with Customers (continued)

Impact on change in accounting policies

IFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31 March 2018, but are recognised in the opening balance sheet on 1 April 2018.

The following tables show the adjustments recognised for each individual line item.

Group Balance sheet (extract)	31 Mar 2018 As originally presented	Impact of IFRS 9	2018
Assets	**Ksh'000**	**Ksh'000**	**Ksh'000**
Prepaid operating lease rentals	44,481	-	44,481
Investments in associates	2,745,989	-	2,745,989
Investments in joint ventures	9,797,800	-	9,797,800
Investment in unquoted equity investments	4,362,975	-	4,362,975
Investments in quoted investments	1,738,828	-	1,738,828
Investments in government securities	4,056,427	-	4,056,427
Loans and advances	11,772,121	(177,258)	11,594,863
Finance lease receivable	4,974	-	4,974
Receivables and prepayments	5,877,286	-	5,877,286
Cash and bank balances	5,819,819	(9,877)	5,809,942
Assets classified as held for sale	1,824,905	-	1,824,905
Total assets	**48,045,605**	**(187,135)**	**47,858,470**
Liabilities			
Banking subsidiary: customer deposits	12,832,395	-	12,832,395
Banking subsidiary: borrowings	3,209,313	-	3,209,313
Trade and other payables	4,999,634	-	4,999,634
Dividends payable	154,139	-	154,139
Deferred income	90,239	-	90,239
Liabilities classified as held for sale	203,057	-	203,057
Total liabilities	**21,488,777**	**-**	**21,488,777**

Reconciliation of impairment allowance balances from IAS 39 to IFRS 9

The following table reconciles the prior year's closing impairment allowances measured in accordance with IAS 39 incurred loss model and to the new impairment allowance measured in accordance with the IFRS 9 expected credit loss model at 1 April 2019

Group and Company

Measurement category	Credit loss allowance under IAS 39	Remeasurement	Credit loss allowance under IFRS 9
	Ksh'000	**Ksh'000**	**Ksh'000**
Loans and advances	890,197	177,258	1,067,455
Cash and bank balances	19,754	9,877	9,877
Total liabilities	**909,951**	**187,135**	**1,077,332**

1.2 Basis for preparation (continued)

Impact on change in accounting policies (continued)
Reclassifications of financial instruments on adoption of IFRS 9

On the date of initial application, 1 January 2018, the financial instruments of the Group were as follows, with any reclassifications noted:

The impact of these changes on the Group's equity is as follows:

	Measurement category		Carrying amount		
	Original (IAS 39)	New (IFRS 9)	Original Shs '000	New Shs '000	Difference Shs '000
Group					
Financial assets					
Investment in associates	Available for sale	Fair value through other comprehensive income	2,745,989	2,745,989	-
Investment in joint ventures	Available for sale	Fair value through other comprehensive income	9,797,800	9,797,800	-
Investment in unquoted equity investments	Available for sale	Fair value through other comprehensive income	4,362,975	4,362,975	-
Quoted investments	Available for sale	Fair value through other comprehensive income	1,738,828	1,738,828	-
Government securities and corporate bonds	Amortised cost	Amortised cost	3,654,872	3,654,872	-
Government securities and corporate bonds	Available for sale	Fair value through other comprehensive income	401,555	401,555	-
Loans and advances	Amortised cost	Amortised cost	11,772,121	11,594,863	177,258
Receivables and prepayments	Amortised cost	Amortised cost	5,877,286	5,877,286	-
Cash and bank balances	Amortised cost	Amortised cost	5,819,819	5,809,942	9,877
Assets classified as held for sale	Available for sale	Fair value through other comprehensive income	1,824,905	1,824,905	-
			47,996,150	47,809,015	187,135
Financial liabilities					
Customer deposits	Amortised cost	Amortised cost	12,832,395	12,832,395	-
Borrowings	Amortised cost	Amortised cost	3,209,313	3,209,313	-
Trade and other payables	Amortised cost	Amortised cost	4,999,633	4,999,633	-
Dividends payable	Amortised cost	Amortised cost	154,139	154,139	-
Deferred income	Amortised cost	Amortised cost	90,239	90,239	-
			21,285,719	21,285,719	-
Company					
Financial assets					
Investment in subsidiaries	Available for sale	Fair value through other comprehensive income	37,089,731	37,089,731	-
Debt investment in subsidiaries	Amortised cost	Amortised cost	13,385,790	13,385,790	-
Investment in associates	Available for sale	Fair value through other comprehensive income	5,081,473	5,081,473	-
Investment in joint ventures	Available for sale	Fair value through other comprehensive income	2,099,631	2,099,631	-
Unquoted investments	Available for sale	Fair value through other comprehensive income	3,886,780	3,886,780	-
Quoted investments	Available for sale	Fair value through other comprehensive income	98,134	98,134	-
Receivables and prepayments	Amortised cost	Amortised cost	910,510	910,510	
Cash and cash equivalents	Amortised cost	Amortised cost	1,077,666	1,077,666	
Assets classified as held for sale	Available for sale	Fair value through other comprehensive income	2,324,230	2,324,230	-
			65,953,945	65,953,945	-
Financial liabilities					
Borrowings	Amortised cost	Amortised cost	14,842,631	14,842,631	-
Trade and other payables	Amortised cost	Amortised cost	530,684	530,684	-
Dividends payable	Amortised cost	Amortised cost	154,139	154,139	-
			15,527,454	15,527,454	-

1 Accounting framework and critical judgements (continued)

1.2 Basis for preparation (continued)

(ii) New and ammended standards adopted by the Group (continued)

Annual improvements 2014-2016 cycle

The following improvements were finalised in December 2016:

Amendment to IFRS 1 - The amendment, applicable to annual periods beginning on or after 1st January 2018, deletes certain short-term exemptions and removes certain reliefs for first- time adopters.

Amendment to IAS 28 - The amendment, applicable to annual periods beginning on or after 1 January 2018, clarifies that exemption from applying the equity method is available separately for each associate or joint venture at initial recognition

Amendments to IAS 40: Transfers of Investment Property - The amendments, applicable to annual periods beginning on or after 1st January 2018, clarify that transfers to or from investment property should be made when, and only when, there is evidence that a change in use of property has occurred.

IFRIC 22: Foreign Currency Transactions and Advance Consideration.

The Interpretation, applicable to annual periods beginning on or after 1 January 2018, clarifies that the exchange rate to use in transactions that involve advance consideration paid or received in foreign currency is the one at the date of initial recognition of the non- monetary asset or liability.

(iii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published tat are not mandatory for 31 March 2019 reporting periods and have not been early adopted by the Group and Company. The Group and Company's assessment of the impact of these new standards and interpretations is as set out below

IFRS 16: Leases

Nature of the change

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases.

Impact on the Group and Company

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, and will require a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments

Application of IFRS 16 in FY 2020 will require right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Group and Company is the lessee.

Based on the Directors' preliminary assessment right of use assets, right of use liabilities and deferred tax assets that will be recognised in 1 April 2019 will not have a material impact on the Group

Date of adoption of the Group and Company

The standard must be applied for financial years commencing on or after 1 January 2019.

The Group and Company intend to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

1 Accounting framework and critical judgements (continued)

1.2 Basis for preparation (continued)

iii New standards and interpretations not yet adopted

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments, applicable from a date yet to be determined, address a current conflict between the two standards and clarify that a gain or loss should be recognised fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.

IFRIC 23: Uncertainty over Income Tax Treatments

The Interpretation, applicable to annual periods beginning on or after 1 January 2019, clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty over income tax treatments.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

The amendments, applicable to annual periods beginning on or after 1 January 2019, allow entities to measure prepayable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met

Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

The amendments, applicable to annual periods beginning on or after 1 January 2019, clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset) in the manner specified in the amended standard.

Amendmentts to IAS 28 and IFRS 10: Sale or contribution of assets between an investor and its associate or joint venture

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investors in the associate or joint venture. The amendments apply prospectively.

Annual improvements 2015-2017 cycle

Amendments to IFRS 3 - The amendments, applicable to annual periods beginning on or after 1 January 2019, provide additional guidance on applying the acquisition method to particular types of business combination.

Amendments to IFRS 11 - The amendments, applicable to annual periods beginning on or after 1 January 2019, clarify that when an entity obtains joint control of a business that is a joint operation, it does not remeasure its previously held interests.

1 Accounting framework and critical judgements (continued)

1.2 Basis for preparation (continued)

iii New standards and interpretations not yet adopted (continued)

Annual improvements 2015-2017 cycle (continued)

Amendments to IAS 23 - The amendments, applicable to annual periods beginning on or after 1 January 2019, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

Amendments to IAS 12 - The amendments, applicable to annual periods beginning on or after 1 January 2019, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions to which they are linked.

The directors have made an assessment of the standards and determined them not to have a material effect on the current year results and performance. The standards will be adopted in accordance with their respctive adoption dates as determined by the IASB

iv Measurement basis

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies summarised below.

Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or, in some cases, at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Group and Company use market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Group and Company using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset/liability that market participants would take into account

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the at the end of the reporting period during which the change occurred.

1 Accounting framework and critical judgements (continued)

1.3 Going concern

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

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

1.4 Significant accounting policies

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

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

1.4.1 Principles of consolidation and equity accounting

i. Subsidiaries

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

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

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

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

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

Changes in ownership interests in subsidiaries without change of control

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

1 Accounting framework and critical judgements (continued)

1.4 Significant accounting policies (continued)

1.4.1 Principles of consolidation and equity accounting (continued)

iii Disposal of subsidiaries

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

iv Associates

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

vi Joint arrangements

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

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

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

vii Equity method

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

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

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

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

1 Accounting framework and critical judgements (continued)

1.4 Significant accounting policies (continued)

1.4.1 Principles of consolidation and equity accounting (continued)

viii Changes in ownership interests with change of control

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

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

ix Business combinations

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

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

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

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

1 Accounting framework and critical judgements (continued)

1.4 Significant accounting policies (continued)

1.4.1 Principles of consolidation and equity accounting (continued)

ix Business combinations (continued)

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

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

1.4.2 Foreign currency

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investments in a foreign operation. The Group has not qualifying cash fow hedges.

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

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

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

1 Accounting framework and critical judgements (continued)

1.4 Significant accounting policies (continued)

Transactions and balances (continued)

Group companies

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

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

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

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

1.4.3 Measurement principles

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

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

1 Accounting framework and critical judgements (continued)

1.4 Significant accounting policies (continued)

1.4.3 Measurement principles (continued)

Item included in the statement of financial position	Measurement principle	Item included in the statement of financial position	Measurement principle
Assets			
Biological assets	Fair value less cost to sale	Quoted investments	Fair value through other comprehensive income
Investment properties	Fair value	Loans and advances	Amortised cost
Goodwill	Historical cost less impairment losses	Cash and cash equivalents	Amortised cost
Intangible assets	Historical cost less accumulated amortisation and impairment losses	Receivables and prepayments	Amortised cost
Deferred tax assets	Undiscounted amount measured at the tax rates that have been enacted and are expected to apply to the period when the asset is realised.	Government securities, corporate bonds and commercial papers	Fair value through profit and loss, and fair value through other comprehensive income
Investments in associates and joint ventures	Group: Cost adjusted for share of movements in net assets less impairment losses. Company: Fair value based on price of a recent transaction or earnings multiples of comparable	Current income tax recoverable	Amount expected to be recovered from tax authorities, using tax rates that have been enacted or substantively enacted at the reporting date.
Unquoted investments	Fair value based on price of a recent transaction or earnings multiples of comparable companies or cost.	Investment in subsidiaries	Company: Fair value based on recent transactions or price multiples, or net asset value
Liabilities			
Customer deposits	Amortised cost	Deferred income	Nominal value
Deferred income tax liabilities	Undiscounted amount measured at the tax rates that have been enacted and are expected to apply to the period when the liability is settled.	Current income tax liabilities	Amount expected to be recovered from tax authorities, using tax rates that have been enacted or substantively enacted at the reporting date.
Provisions	Present value of the best estimate of the settlement amount	Payables and accruals	Amortised cost
		Bank overdraft	Amortised cost

1 Accounting framework and critical judgements (continued)

1.4 Significant accounting policies (continued)

1.4.4 Financial instruments

(i.) Classification

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii.) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii.) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

1 Accounting framework and critical judgements (continued)

1.4 Significant accounting policies (continued)

1.4.4 Financial instruments (continued)

(iii.) Measurement (continued)

Debt instruments (continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv.) Impairment

The Group recognises a loss allowance for expected credit losses on debt instruments that are measured at amortised cost or at fair value through other comprehensive income. The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which: (a) the credit risk has increased significantly since initial recognition; or (b) there is observable evidence of impairment (a credit-impaired financial asset). If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

1 Accounting framework and critical judgements (continued)

1.4 Significant accounting policies (continued)

1.4.4 Financial instruments (continued)

(v.) Presentation

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the balance sheet date, those which management has the express intention of holding for less than 12 months from the balance sheet date or those that are required to be sold to raise operating capital, in which case they are classified as current assets

All financial liabilities are classified as non-current except those held for trading, those expected to be settled in the Group's normal operating cycle, those payable or expected to be paid within 12 months of the balance sheet date and those which the Group does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date.

(vi.) Derecognition/write off

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the Group has transferred substantially all risks and rewards of ownership, or when the Group has no reasonable expectations of recovering the asset.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged or cancelled or expires.

When a financial asset measured at fair value through other comprehensive income, other than an equity instrument, is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. For equity investments for which an irrevocable election has been made to present changes in fair value in other comprehensive income, such changes are not subsequently transferred to profit or loss.

(vii.) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously

(viii) Accounting policies applied until 31 March 2018

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Classification

Until 31 March 2018, the Group classified its financial assets in the following categories

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

1 Accounting framework and critical judgements (continued)

1.4 Significant accounting policies (continued)

1.4.4 Financial instruments (continued)

(viii) Accounting policies applied until 31 March 2018 (continued)

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

Reclassification

The Group could choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset was no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term. In addition, the Group could choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-forsale categories if the Group had the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS 9, see description above.

Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at FVPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value were recognised as follows:

- for financial assets at FVPL – in profit or loss within other gains/(losses)
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security were recognised in profit or loss and other changes in the carrying amount were recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in note 1.5.

When securities classified as available-for-sale were sold, the accumulated fair value adjustments recognised in other comprehensive income were reclassified to profit or loss as gains and losses from investment securities.

Assets carried at amortised cost

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

1 Accounting framework and critical judgements (continued)

1.4 Significant accounting policies (continued)

1.4.4 Financial instruments (continued)

(viii) Accounting policies applied until 31 March 2018 (continued)

Assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could 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 was recognised in profit or loss.

Assets classified as available-for-sale

If there was objective evidence of impairment 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 – was removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss were not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increased in a subsequent period and the increase could be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss was reversed through profit or loss.

1.4.5 COMPARATIVES

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

1.5 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The Group makes judgements, estimates and assumptions concerning the future when preparing the consolidated financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The "Critical accounting judgements, estimates and assumptions" note should be read in conjunction with the "Significant accounting policies" disclosed in note 1.4.

1 Accounting framework and critical judgements (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.1 Valuation of unquoted investments

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

The Group's policy is to measure all unquoted investments at fair value on the Company statement of financial position. On the consolidated statement of financial position, only unquoted investments with a holding of less than 20% are measured at fair value as subsidiaries are consolidated and associates are accounted for under the equity accounting method. Unquoted investments on the Company statement of financial position are classified as fair value through other comprehensive income

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

a) EBITDA multiples - based on the most recent EBITDA achieved on rolling 12 months basis of the issuer and equivalent corresponding EBITDA multiples of comparable companies;

b) Price-to-Book multiples for the banking subsidiary, using the closing balance sheet of the subsidiary and average priceto-book multiples of comparable listed banks in Kenya adjusted for control premium since theb multiple has been determined using minority stakes;

c) Discounted cash flow methodology which reflects the specifics of the entity and its operating environment; and

d) Marketability discounts, based on guidance under International Private Equity and Venture Capital Valuation (IPEV) Guidelines. In principle, the Group applies an illiquidity discount between 1% and 30% set out under IPEV guidelines.

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

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

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

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

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

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

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

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

1.5 Accounting framework and critical judgements (continued)
1.5 .1 Valuation of unquoted investments (continued)

Description	Ownership	Fair value at 31 March 2019 Ksh'000	Valuation technique	Unobervable inputs	Weighted average input	Reasonable possible shift +/- (absolute value)	Change in valuation +/-
Unquoted investments: Company							
Isuzu East Africa Limited	17.8%	2,020,892	Comparable trading multiples	EBITDA multiple	7.15x	1%	15,917
				Marketability discount	30%	5%	(43,305)
				Discounted EBITDA multiple	5.01x		
				EBITDA (KES 'm)	ND*	10%	1 59,168
				Net debt (KES 'm)	ND*	NA	NA
NAS Airport Services Limited	15%	882,185	Comparable trading multiples	EBITDA multiple	5.89x	1%	8,550
				Marketability discount	30%	5%	(18,904)
				Discounted EBITDA multiple	4.12x		
				EBITDA (KES 'm)	ND*	10%	85,501
				Net debt (KES 'm)	ND*	NA	NA
Capital Market Challenge Fund		5,000	Cost				
Africa Crest Education (ACE) Holdings		711,333	Cost				
Total - Company		**3,619,410**					
Associates: Company							
Nairobi Bottlers Limited	27.6%	6,912,212	Comparable trading multiples	EBITDA multiple	9.60x	1%	77,323
				Marketability discount**	13%	5%	(51,643)
				Discounted EBITDA multiple	8.35x		
				EBITDA (KES 'm)	ND*	10%	773,234
				Net debt (KES 'm)	ND*	NA	NA
UAP Financial Services (U) Limited		3,429	Cost				
Total - Company		**6,915,641**					

* These are private companies where the Group holds a minority interest. The EBITDA and debt information is market sensitive information and has therefore not been disclosed.
** An illiquidity discount of 13% has been used for Nairobi Bottlers Limited and Almasi Beverages Limited which falls between the 1% to 30% range as per the Group's policy and IPEV guideines. This illiquidity discount is reflective of marketability of these investments following their disposal as is disclosed in note 13

1 Accounting framework and critical judgements (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.1 Valuation of unquoted investments (continued)

Subdiaries: Company

Assets	**Ownership**	**31-Mar-19 Ksh'000**	**31-Mar-18 Ksh'000**	**Valuation basis for the year ended 31 March 2018**
Two Rivers Development Limited	58.3%	9,897,778	12,357,406	Net asset value which represents the fair value of the underlying asset. Note 6.1
Almasi Beverages Limited	53.9%	9,851,141	8,696,825	Market multiples. See below
Vipingo Development Limited	100%	10,753,609	5,146,193	Net asset value which represents the fair value of the underlying asset. Note 6.1
Bakki Holdco Limited	100%	3,313,403	3,889,825	Net asset value note 6.1
GenAfrica Investment Management Limited	73.4%	-	2,324,230	Recent transaction.
Centum Development Limited	100%	4,165,516	3,537,356	Net asset value which represents the fair value of the underlying property. Note 6.1
Longhorn Publishers Limited	60.2%	1,039,849	762,665	Market prices. The entity is listed on the Nairobi Securities Exchange.
Rasimu Limited	100%	572,833	710,182	Net asset value which represents the fair value of the underlying asset. The company owns 3.65% of Two Rivers Development Limited.
Nabo Capital Limited	100%	442,633	403,799	Net asset value. Note 6.1
Vipingo Estates Limited	100%	1,549,797	1,007,166	Net asset value which represents the fair value of the underlying asset. Note 6.1
Uhuru Heights Limited	100%	239,034	281,553	Net asset value which represents the fair value of the underlying asset. The company owns 1.05% of Two Rivers Development Limited.
Zohari Leasing Limited	100%	253,048	212,975	Net asset value. Note 6.1
Greenblade Growers Limited	100%	60,764	60,322	Net asset value. Note 6.1
Tribus TSG Limited	100%	17,137	100	Net asset value. Note 6.1
Centum Exotics Limited	100%	-	23,366	
		42,156,542	**39,413,962**	

Valuation:	**Ownership**	**Valuation technique**	**Ksh'000**	**Unobervable inputs**	**Weighted average input**	**Reasonable possible shift +/- (absolute value)**	**Change in valuation +/-**
Almasi Beverages Limited	53.9%	Market multiples	9,851,141	EBITDA multiple	9.60x	1%	9 6,417
				Marketability discount*	13%	5%	(73,600)
				Discounted EBITDA multiple	8.35x		
				EBITDA (KES 'm)	2,140,191	10%	7 73,234
				Net debt (KES 'm)	(446,289)	NA	NA
Sidian Bank Limited	81.9%	Market multiples	3,314,669	PB Ratio multiple	0.85x	1%	3 3,147
				NAV (KES 'm)	3,981,021	10%	331,467
				Control premium	20%	10%	55,244

A complete list of the Group's subsidiaries is included under note 6.1

* An illiquidity discount of 13% has been used for Nairobi Bottlers Limited and Almasi Beverages Limited which falls between the 1% to 30% range as per the Group's policy and IPEV guideines. This illiquidity discount is reflective of developments around their disposal, as set out under Note 13.

1 Accounting framework and critical judgements (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.1 Valuation of unquoted investments (continued)

Year ended 31 March 2018

Description	Ownership	Fair value at 31 March 2018 Ksh'000	Valuation technique	Unobervable inputs	Weighted average input	Reasonable possible shift +/- (absolute value)	Change in valuation +/-
Unquoted investments: Company							
Isuzu East Africa Limited	17.8%	2,469,726	Recent transaction	NA			
NAS Airport Services Limited	15%	855,930	Comparable trading multiples	EBITDA multiple	5.99x	1%	7,866
				Marketability discount	30%	5%	(18,341)
				Discounted EBITDA multiple	4.19x		
				EBITDA (KES 'm)	ND*	10%	78,660
				Net debt (KES 'm)	ND*	NA	NA
Capital Market Challenge Fund		5,000	Cost				
Africa Crest Education (ACE) Holdings		556,124	Cost				
Total - Company		**3,886,780**					
Associates: Company							
Nairobi Bottlers Limited	27.6%	5,078,044	Comparable trading multiples	EBITDA multiple	9.91x	1%	58,756
				Marketability discount	30%	5%	(108,815)
				Discounted EBITDA multiple	6.94x		
				EBITDA (KES 'm)	ND*	10%	587,559
				Net debt (KES 'm)	ND*	NA	NA
UAP Financial Services (U) Limited		3,429	Cost				
Total - Company		**5,081,473**					

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

1 Accounting framework and critical judgements (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.1 Valuation of unquoted investments (continued)

Subdiaries: Company

Assets	Ownership	31-Mar-18 Ksh'000	31-Mar-17 Ksh'000	Valuation basis for the year ended 31 March 2018
Two Rivers Development Limited	58.3%	12,357,406	12,315,989	Net asset value which represents the fair value of the underlying asset. Note 6.1
Almasi Beverages Limited	53.9%	8,696,825	7,716,472	Market multiples. See below
Vipingo Development Limited	100%	5,146,193	3,950,863	Net asset value which represents the fair value of the underlying asset. Note 6.1
Bakki Holdco Limited	100%	3,889,825	3,232,233	Net asset value Note 6.1
Investpool Holdings Limited	100%	-	2,117,147	Net asset value Note 6.1
GenAfrica Investment Management Limited	73%	2,324,230	1,404,183	Recent transaction. See below
Centum Development Limited	100%	3,537,356	860,896	Net asset value which represents the fair value of the underlying property. Note 6.1
Longhorn Publishers Limited	60.2%	762,665	738,063	Market prices. The entity is listed on the Nairobi Securities Exchange.
Rasimu Limited	100%	710,182	755,769	Net asset value which represents the fair value of the underlying asset. The company owns 3.65% of Two Rivers Development Limited.
Nabo Capital Limited	100%	403,799	410,802	Net asset value. Note 6.1
Vipingo Estates Limited	100%	1,007,166	1,089,628	Net asset value which represents the fair value of the underlying asset. Note 6.1
Uhuru Heights Limited	100%	281,551	261,349	Net asset value which represents the fair value of the underlying asset. The company owns 1.05% of Two Rivers Development Limited.
Zohari Leasing Limited	100%	212,975	207,781	Net asset value. Note 6.1
Greenblade Growers Limited	100%	60,322	207,104	Net asset value. Note 6.1
Athena Properties Limited	100%	-	25,093	Net asset value. Note 6.1
Centum Business Solutions Limited	100%	-	17,519	Net asset value. Note 6.1
Centum Exotics Limited	100%	23,366	-	Net asset value. Note 6.1
Tribus TSG Limited	100%	100	-	Net asset value. Note 6.1
		39,413,961	**35,310,891**	

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

1 Accounting framework and critical judgements (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.1 Valuation of unquoted investments (continued)

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

1.5.2 Valuation of investment property

The fair value model has been applied in accounting for investment property. The Group commissioned external, independent and professionally qualified real estate valuers that hold recognised relevant professional qualification and have recent experience in the locations and types of investment properties valued to determine the fair value of the investment property as at 31 March 2019 and 31 March 2018 on the basis of open market value. The current use of the investment properties equates to the highest and best use.

The valuation of the investment properties is derived by making reference to recent comparable sales transactions in the relevant property market, on the assumption that the property had already been completed at the valuation date. The fair value gains have been credited to 'income' in the income statement (Note 2.2).

The Group's investment properties are valued by reference to a level 3 fair value measurement. In 2019 and 2018, there were no transfers between different levels within the fair value hierarchy. Level 3 measurement uses one or more significant inputs not based on observable data other than quoted prices included within Level 3 that are observable for the asset or liability, either directly as prices or indirectly as derived from prices.

	Level 1 Ksh'000	Level 2 Ksh'000	Level 3 Ksh'000
31 March 2019			
Investment property	-	-	**40,033,745**
31 March 2018			
Investment property	-	-	**32,718,667**

See note 5.1 for the reconciliation of investment property.

1.5.3 Impairment losses on loans and advances

The Group implemented IFRS 9 effective 1 January 2018 which requires assessment on a forward looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and with the exposure arising from loan committments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting period. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

1 Accounting framework and critical judgements (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.4 Impairment of goodwill

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

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

See assumptions as discussed in Note 8.2

1.5.5 Estimation of fair value for land and buildings and estimation of useful lives of property, plant and equipment

See note 8.1

1.5.6 Consolidation decisions and classification of joint arrangements

See note 6.2

2 Results of operations

2.1 Segment information

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

Effective 1 April 2017, the Group new operating structure comprises the reportable segments below:

1. Private equity - These consists of all the mature businesses, i.e. Almasi Beverages Limited, Longhorn Publishers Limited, Sidian Bank Limited, GenAfrica Asset Managers Limited up to 2018, Nairobi Bottlers Limited and Nabo Capital Limited;
2. Real Estate - These consists of all the Group companies involved in real estate development. The details of the companies are listed under note 6.1;
3. Development - These consists of all companies whose business are still in the establishment and ramp up phase. They include; Greenblade Growers Limited and King Beverage Limited; and
4. Marketable Securities - These consists of Centum Exotics Limited and Oleibon Investments Limited that are involved in investment of funds in quoted equity and fixed income securities.

Performance is reviewed from a total return perspective.

i Total return

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

2 Results of operations (continued)

2.1 Segment information (continued)

ii 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:

(a) Portfolio income

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

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

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

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

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

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

(b) Portfolio costs

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

(c) Total assets

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

The segment information provided to the executive management committee for the reportable segments for the year ended 31 March 2019 and 31 March 2018 is as overleaf.

2 Results of operations (continued)

2.1 Segment information (continued)

Group	Growth	Real Estate	Development	Marketable securities	Total
Year ended 31 March 2019	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
Dividend income	181,429	-	-	88,185	269,614
Interest income	2,228,062	7,899	-	72,753	2,308,714
Lease rentals	41,691	-	-	-	41,691
Fund management income	116,086	-	-	-	116,086
Sales income	10,051,667	333,900	478,520	-	10,864,087
Other income	66,577	98,058	-	-	164,635
Realised gains	1,525,878	-	-	27,871	1,553,749
Fee, commission and forex trading income	1,130,068	-	-	-	1,130,068
Project and development management fees	284,548	17,009	-	-	301,557
Share of profit/(loss) of associates and joint ventures	279,000	(1,702,835)	-	-	(1,423,835)
Unrealised value movements	(400,848)	7,300,479	-	(638,003)	6,261,628
Gross return	**15,504,158**	**6,054,511**	**478,520**	**(449,194)**	**21,587,992**
Finance costs	(1,975,633)	(1,452,609)	(37,484)	(14,229)	(3,479,956))
Portfolio costs	(11,718,981)	(2,498,940)	(624,154)	(34,529)	(14,876,605
Net return	**1,809,544**	**2,102,961**	**(183,118)**	**(497,953)**	**3,231,431**
Tax	(287,158)	(31,443)	-	-	(318,601)
Total return	**1,522,386**	**2,071,518**	**(183,118)**	**(497,953)**	**2,912,832**
Gross Return on opening shareholder funds (%)	96%	25%	-12%	-17%	56%
Return on opening shareholder funds (%)	9%	9%	5%	-19%	8%
Opening shareholder funds					
Total assets	44,578,672	47,294,509	1,743,994	2,670,909	96,288,084
Borrowings	(7,268,482)	(13,764,044)	(3,431,042)	-	(24,463,568)
Other liabilities	(16,426,016)	(2,083,837)	(2,318,459)	(99,039)	(20,927,351)
Non-controlling interest	(4,769,684)	(7,657,632)		-	(12,427,316)
Net asset value attributable to equity holders	**16,114,490**	**23,788,996**	**(4,005,507)**	**2,571,870**	**38,469,849**
Closing shareholder funds					
Total assets	44,202,384	53,143,345	1,970,317	2,447,607	101,763,653
Borrowings	(7,046,804)	(16,420,985)	(3,403,173)	-	(26,870,961)
Other liabilities	(6,845,519)	(13,785,781)	(2,581,862)	(103,715)	(23,316,877)
Non-controlling interest	(4,445,865)	(6,840,590)	-	-	(11,286,455)
Net asset value attributable to equity holders	**25,864,196**	**16,095,990**	**(4,014,718)**	**2,343,892**	**40,289,360**

2 Results of operations (continued)

2.1 Segment information (continued)

Group

Year ended 31 March 2018	**Growth**	**Real Estate**	**Development**	**Marketable securities**	**Total**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
Dividend income	207,464	-	-	63,605	271,069
Interest income	1,927,138	2,703	4	98,412	2,028,257
Lease rentals	17,926	-	-	-	17,926
Fund management income	124,125	-	-	-	124,125
Sales income	9,629,365	260,648	281,119	-	10,171,132
Other income	222,015	14,350	-	22,358	258,723
Realised gains	647,443	-	-	138,595	786,038
Fee, commission and forex trading income	745,322	-	-	-	745,322
Project and development management fees	88,681	54,701	-	-	143,382
Share of profit of associates and joint ventures	236,978	457,920	-	-	694,898
Discontinued operations	135,600	-	-	-	135,600
Unrealised value movements	(876,565)	4,114,277	-	531,042	3,768,754
Gross return	**13,105,492**	**4,904,599**	**281,123**	**854,011**	**19,145,225**
Finance costs	(1,359,990)	(1,164,043)	(35,317)	(14,332)	(2,573,682)
Portfolio costs	(11,524,427)	(1,439,225)	(517,988)	(221,597)	(13,703,236)
Net return	**221,075**	**2,301,331**	**(272,182)**	**618,083**	**2,868,307**
Tax	50,232	(541,912)	1,328	-	(490,352)
Total return	**271,307**	**1,759,419**	**(270,854)**	**618,083**	**2,377,955**
Gross Return on opening shareholder funds (%)	199%	17%	31%	51%	51%
Return on opening shareholder funds (%)	4%	6%	-30%	37%	6%
Opening shareholder funds					
Total assets	39,426,406	44,067,380	1,802,749	3,089,073	88,385,608
Borrowings	(12,533,378)	(6,247,065)	(839,641)	(1,366,294)	(20,986,378)
Other liabilities	(16,021,168)	(1,778,569)	(61,872)	(63,417)	(17,925,026)
Non-controlling interest	(4,289,278)	(7,888,331)	-	-	(12,177,609)
Net asset value attributable to equity holders	**6,582,582**	**28,153,415**	**901,236**	**1,659,362**	**37,296,595**
Closing shareholder funds					
Total assets	44,578,672	47,294,509	1,743,994	2,670,909	96,288,084
Borrowings	(7,268,482)	(13,764,044)	(3,431,042)	-	(24,463,568)
Other liabilities	(16,426,016)	(2,083,837)	(2,318,459)	(99,039)	(20,927,351)
Non-controlling interest	(4,769,684)	(7,657,632)		-	(12,427,316)
Net asset value attributable to equity holders	**16,114,490**	**23,788,996**	**(4,005,507)**	**2,571,870**	**38,469,849**

2 Results of operations (continued)

2.1 Segment information (continued)

Company

Year ended 31 March 2019	Growth	Real Estate	Development	Marketable securities	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Dividend income	699,892	-	-	-	699,892
Interest income	14,050	747,918	13,863	421,667	1,197,499
Other income	7,514	-	-	-	7,514
Realised gains	1,262,453	-	-	-	1,262,453
Unrealised value movements	163,381	3,891,063	(61,326)	(23,366)	3,969,752
Gross return	2,147,290	4,638,981	(47,463)	398,301	7,137,109
Finance costs	(872,665)	(786,547)	(36,236)	(14,229)	(1,709,677)
Portfolio costs	(274,425)	(339,773)	(12,016)	(4,718)	(630,932)
Net return	**1,000,200**	**3,512,662**	**(95,715)**	**379,353**	**4,796,500**
Tax	(40,980)	(1,732)	(40,491)	(680)	(83,883)
Total return	**959,220**	**3,510,930**	**(136,206)**	**378,673**	**4,712,617**
Gross Return on opening shareholder funds (%)	**13%**	**19%**	**-2%**	**9%**	**15%**
Return on opening shareholder funds (%)	**6%**	**14%**	**-5%**	**9%**	**10%**
Opening shareholder funds					
Total assets	25,090,254	31,824,902	3,491,161	5,680,939	66,087,256
Borrowings	(6,389,631)	(6,247,065)	(839,642)	(1,366,294)	(14,842,631)
Other liabilities	(1,730,410)	(827,271)	(329)	(535)	(2,558,544)
Net asset value attributable to equity holders	**16,970,214**	**24,750,566**	**2,651,190**	**4,314,111**	**48,686,081**
Closing shareholder funds					
Total assets	25,873,312	35,890,378	5,430,747	4,449,607	71,644,043
Borrowings	(3,043,473)	(9,698,142)	(3,403,181)	-	(16,144,795)
Other liabilities	(1,623,149)	(1,273,038)	(2,886)	(5)	(2,899,078)
Net asset value attributable to equity holders	**21,206,690**	**24,919,197**	**2,024,680**	**4,449,602**	**52,600,170**

2 Results of operations (continued)

2.1 Segment information (continued)

Company

Year ended 31 March 2018	Growth	Real Estate	Development	Marketable securities	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Dividend income	2,033,390	-	-	6,755	2,040,145
Interest income	11,470	885,983	10,222	439,320	1,346,996
Other income	139,635	(1,657)	-	(4,943)	133,034
Realised gains	-	-	-	8,678	8,678
Unrealised value movements	66,057	3,725,076	(187,853)	32,450	3,635,730
Gross return	2,250,552	4,609,402	(177,631)	482,261	7,164,584
Finance costs	(802,932)	(792,640)	(36,497)	(14,332)	(1,646,400)
Portfolio costs	(417,928)	(413,649)	(15,176)	(5,959)	(852,712)
Net return	**1,029,692**	**3,403,113**	**(229,304)**	**461,970**	**4,665,471**
Tax	5,624	238	5,557	93	11,513
Total return	**1,035,316**	**3,403,351**	**(223,747)**	**462,063**	**4,676,984**
Gross Return on opening shareholder funds (%)	**12%**	**24%**	**-7%**	**11%**	**16%**
Return on opening shareholder funds (%)	**5%**	**18%**	**-8%**	**11%**	**10%**
Opening shareholder funds					
Total assets	26,450,295	25,947,637	3,491,163	5,680,939	61,570,034
Borrowings	(6,203,126)	(6,247,065)	(839,642)	(1,366,294)	(14,656,126)
Other liabilities	(1,278,146)	(827,271)	(329)	(535)	(2,106,280)
Net asset value attributable to equity holders	**18,969,024**	**18,873,301**	**2,651,192**	**4,314,111**	**44,807,628**
Closing shareholder funds					
Total assets	25,090,254	30,302,259	5,301,266	5,393,477	66,087,257
Borrowings	(2,225,361)	(9,186,220)	(3,431,050)	-	(14,842,631)
Other liabilities	(961,438)	(1,311,142)	(42,773)	(243,190)	(2,558,543)
Net asset value attributable to equity holders	**21,903,455**	**19,804,897**	**1,827,443**	**5,150,287**	**48,686,083**

2 Results of operations (continued)

2.2 Revenue

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

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

The Group's revenue comprises of the following:

Type	Nature	Description	Recognition
Sale of goods	Beverages	Beverage sales relate to sales by Almasi Beverages Limited and King Beverages Limited who deal in soft drinks, Coca Cola drinks and Alcoholic beverages respectively.	Revenues from the various sources are recognised in the period in which the company has delivered products to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery does not occur until the products have been accepted by the customer.
	Educational materials	Sale of educational material is through Longhorn Publishers Limited.	
	Agricultural products	The Group exports exotic herbs through Greenblade Growers Limited.	
Financial services	1. Interest income 2. Fund management income 3. Fees, commissions and trading income 4. Leasing income	1. Interest income relates to income earned by the Sidian Bank Limited and fixed income investments by the asset management subsidiaries. 2. Fund management income relates to management fees earned by Nabo Capital Limited and GenAfrica Investment Management Limited until 2018 who are asset managers. 3. Fees, commissions and trading income is the non funded income earned by Sidian Bank Limited. 4. Leasing income relates to rental and finance lease income earned on operating and finance leases provided by Zohari Leasing Limited.	- Interest income is accrued using the effective interest rate method, by reference to the principal outstanding and the interest rate applicable. - Fund management income is recognised in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a percentage of the total services to be provided. - Fees and commissions are recognised on an accrual basis when the service has been provided. Loan commitment fees for advances are credited to income upon first utilisation of the facility and are charged on an annual basis.
Sale of services	1. Project management fees 2. Utilities	1. Project management fees relate to fees earned by Athena Properties Limited on Real Estate projects. 2. Utilities relate to income earned by Two Rivers Power Company Limited and Two Rivers Water and Sanitation Company Limited on the provision of electricity and water at the Two Rivers Mall.	- Project management fees are recognised in the period in which the services are rendered, by reference to completion of the specific project assessed on the basis of the actual service provided as a percentage of the total service to be provided. - Electricity and water revenue are recognised when electricity and/or water is consumed by the user and is stated net of value added tax and other Government levies.
Investment income		1. Dividend income 2. Gains on disposal of investments	- Dividend income from investments is recognised when the shareholders' right to receive payment has been established. - Gains on disposal of investments are recognised when the Company has no unfulfilled obligation that could affect the completion of the transaction.

2 Results of operations (continued)

2.2 Revenue (continued)

	Notes	Group 2019 Ksh'000	Group 2018 Ksh'000	Company 2019 Ksh'000	Company 2018 Ksh'000
Sale of goods and services:					
- Beverage business		8,456,951	8,571,143	-	-
- Publishing business		1,973,953	1,280,482	-	-
- Utilities		333,900	260,648	-	-
- Agribusiness		99,283	58,859	-	-
Total from continuing operations		**10,864,087**	**10,171,132**	**-**	**-**
Financial services					
- Banking subsidiary:					
- Interest income		2,180,464	1,889,529	-	-
- Fees, commission and forex trading income		1,130,068	745,322	-	-
- Other income		19,182	21,880	-	-
- Asset management subsidiaries:					
- Fund management income		116,086	124,125	-	-
- Interest income		7,296	35,976	-	-
- Other income		-	7,710	-	-
- Leasing:					
- Interest income		1,412	1,603	-	-
- Lease rentals		41,691	17,926	-	-
- Other income		6,349	627	-	-
Total from continuing operations		**3,502,548**	**2,844,698**	**-**	**-**
Discontinued operations		-	542,494	-	-
		3,502,548	3,387,192	-	-
Others:					-
Project, development management and other fees		301,557	143,352	-	-
Other income		1,772	30	-	-
		303,329	143,382	-	-
		14,669,964	**13,701,706**	**-**	**-**
Investment income					
Dividend income		269,614	271,069	699,892	2,040,145
Interest income from investing and financing activities		119,542	101,149	1,197,499	1,346,996
Gain on disposal of investments	2.7	1,553,749	786,219	1,262,453	8,678
Unrealised gains on investment property	5.1	7,464,105	4,181,985	-	-
Unrealised gains on government securities		3,163	711	-	-
Other income		139,104	228,325	7,514	133,034
		9,549,277	**5,569,458**	**3,167,358**	**3,528,853**
Dividend income					
Subsidiaries		-	-	301,619	1,714,179
Associates		-	-	216,844	150,544
Unquoted investments		181,429	207,464	181,429	168,667
Quoted investments		88,185	63,605	-	6,755
		269,614	**271,069**	**699,892**	**2,040,145**
2.3 Expenses					
2.3.1(a) Cost of sales					
Beverage business		5,734,286	5,824,010	-	-
Publishing business		898,861	495,225	-	-
Utilities business		144,836	205,236	-	-
Agribusiness		83,513	61,988	-	-
		6,861,496	**6,586,459**	**-**	**-**

2 Results of operations (continued)

2.3 Expenses (continued)

2.3.1 (b) Operating and administrative expenses

	Group		Company	
	2019	2018	2019	2018
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Employee benefits expense (Note 2.3.2)	2,442,398	2,117,874	269,565	313,935
Directors' fees and expenses	120,032	98,493	23,328	23,990
Auditor's remuneration	35,771	57,515	13,487	9,299
Office rent and service charge	282,830	243,378	23,636	16,283
Depreciation and amortisation	427,656	601,224	20,375	6,227
Goodwill impairment	793,241	-	-	-
Write-down in investment in joint venture	1,965,538	-	-	-
AGM and annual report printing	27,670	30,030	27,202	30,030
Business development costs	109,119	64,991	24,241	11,892
Advertising and PR costs	64,348	13,319	2,627	3,252
Share registration costs	13,014	15,963	13,014	15,963
Listing expenses	6,967	6,699	5,678	5,247
Consultancy	353,465	377,772	54,347	160,315
Provision for expected losses	146,329	306,837	-	-
Donations	27,505	20,789	9,127	6,644
Selling and distribution	1,504,624	1,364,473	-	-
Writeback of amount due from joint venture	(1,648,317)	-	-	-
Other costs*	606,449	1,348,249	144,305	249,636
	7,278,639	**6,667,606**	**630,932**	**852,713**
Analysed as below:				
Trading Subsidiaries	2,885,221	2,515,764	-	-
Financial services subsidiaries	2,264,965	2,123,637	-	-
Other	2,128,453	2,028,205	630,932	852,713
	7,278,639	**6,667,606**	**630,932**	**852,713**

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

2.3.2 Employee benefits expense

Short term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

2 Results of operations (continued)

2.3 Expenses (continued)

2.3.2 Employee benefits expense

Retirement benefits obligations

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

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

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

Performance bonus

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

Determination of the bonus pool is as follows:

a. Private equity (Growth) and marketable securities portfolios

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

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

b. Real estate portfolio

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

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

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

The performance hurdle rates described above were not met in the year ended 31 March 2019 and accordingly, no bonus pool has been accrued in relation to the year then ended (2018: Nil). However, the above vesting conditions that are required to unlock bonus tranche for the previous year ended 31 March 2017 were met. The bonus accrual set out below for the year ended 31 March 2019 relates to the vested tranches arising from the year ended 31 March 2017.

Other entitlements

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

2 Results of operations (continued)

2.3 Expenses (continued)

2.3.2b Employee benefits expense (continued)

	Group		Company	
	2019	2018	2019	2018
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Salaries	1,957,397	1,661,771	211,314	189,569
Performance bonus	185,111	131,443	32,664	92,381
Retirement benefit scheme contributions	84,589	69,830	11,075	10,444
National Social Security Fund contributions	9,466	8,665	88	84
Accrued leave	9,281	29,104	1,253	3,172
	2,245,844	1,900,813	245,231	295,650
Staff medical expenses	85,704	75,262	9,495	7,290
Other staff costs	110,850	141,799	14,839	10,995
	2,442,398	2,117,874	269,565	313,935
Average number of employees	2,785	2,773	23	34

2.4 Finance costs

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

	Group		Company	
	2019	2018	2019	2018
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Financial services:				
- Interest on customer deposits	654,294	491,776	-	-
- Interest on bank and other borrowings	308,057	320,705	-	-
	962,351	812,481	-	-
Other finance costs:				
- Interest on bank and other borrowings	1,572,472	1,159,438	830,636	595,741
- Commitment and other fees	152,502	67,816	81,452	57,775
- Foregn exchange gains on borrowings	(50,179)	(187,918)	(45,222)	(121,122)
- Bond issue costs	-	77,750	-	77,750
- Interest on corporate bonds	842,811	1,036,256	842,811	1,036,256
	2,517,605	2,153,342	1,709,677	1,646,400
Less: amounts capitalised on qualifying assets (Note 5.1)	-	(392,141)	-	-
	2,517,605	1,761,201	1,709,677	1,646,400
Total finance costs	**3,479,957**	**2,573,682**	**1,709,677**	**1,646,400**

2 Results of operations (continued)

2.4 Finance costs (continued)

	Group		Company	
	2019	2018	2019	2018
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Analysed as below:				
Financial services subsidiaries	962,351	812,481	-	-
Other entities*	2,517,605	1,761,201	1,709,677	1,646,400
Average number of employees	3,479,956	2,573,682	1,709,677	1,646,400

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

2.5 Cash generated from operations

		Group		Company	
		2019	2018	2019	2018
	Notes	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Reconciliation of profit before income tax to cash generated from operations:					
Profit before income tax from:					
Continuing operations		4,438,846	3,146,650	826,749	1,029,740
Discontinued operations		-	201,264	-	-
Profit before income tax including discontinued operations		4,438,846	3,347,914	826,749	1,029,740
Adjustments for:					
Finance costs	2.4	3,479,956	2,573,682	1,709,677	1,646,400
Depreciation on property, plant and equipment	8.1	1,421,255	1,444,507	20,170	5,799
Amortisation of intangible assets	8.2	135,461	130,904	205	358
Gains on disposal of investments	2.7	(1,553,749)	(786,219)	(1,262,453)	(8,678)
Fair value gains on investment property	5.1	(7,464,105)	(4,181,985)	-	-
Unrealised exchange gains		(139,104)	(228,506)	2,082	44,891
Fair value gains/(losses) on government securities through profit and loss	7.2.1	(2,494)	1,051	-	-
Net impairment in joint ventures		1,965,538	-	-	-
Share of loss/(profit) from joint ventures	6.2.2	1,702,835	(457,920)	-	-
Share of profit from associates	6.2.1	(279,000)	(236,978)		
Impairment of goodwill	2.3.1	793,241	-	-	-
Changes in working capital:		-	-	-	-
- inventories		(454,431)	(66,519)	-	-
- receivables and prepayments		(745,220)	(1,690,453)	185,006	1,991,396
- payables and accrued expenses		117,784	(253,628)	4,768	84,215
- biological assets		-	8,634	-	-
- finance lease receivable		(41,843)	2,947	-	-
- deferred income		(14,384)	(21,221)	-	-
- loans and advances		(1,416,405)	861,287	-	-
- customer deposits		1,984,289	3,033,646	-	-
		3,928,472	**3,481,143**	**1,486,204**	**4,794,121**

2 Results of operations (continued)

2.6 Earnings per share

Basic earnings per share

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

Diluted earnings per share

The Company has not issued any convertible securities and as such, the basic and diluted earnings per share is the same.

	2019 Ksh'000	2018 Ksh'000
Basic and diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	6.68	3.81
From discontinued operations	-	0.15
Total basic and diluted earnings per share attributable to the ordinary equity holders of the company	**6.68**	**3.96**
Reconciliation of earnings used in calculating earnings per share		
Profit attributable to equity holders of the company used in calculating basic and diluted earnings per share:		
Basic and diluted earnings per share		
From continuing operations	4,446,507	2,534,455
From discontinued operations	-	99,463
	4,446,507	**2,633,918**
Weighted average number of ordinary shares in issue (thousands)	665,442	665,442

2.7 Gain on disposal of investments

		Group			Company		
Year ended 31 March 2019	**Notes**	**Carrying value Ksh'000**	**Proceeds Ksh'000**	**Gain on disposal Ksh'000**	**Cost Ksh'000**	**Proceeds Ksh'000**	**Gain on disposal Ksh'000**
Quoted investments		292,983	320,854	27,871	-	-	-
Unquoted investments, including subsidiaries		1,169,097	2,324,230	1,155,133	1,061,777	2,324,230	1,262,453
Investment property		74,503	445,248	370,745	-	-	-
		1,536,583	3,090,332	1,553,749	1,061,777	2,324,230	1,262,453
Reserves released on disposal:							
Quoted investments	5.3			187,121			-
				187,121			-
Gains during the year				1,740,870			-
Year ended 31 March 2018							
Quoted investments		531,026	669,801	138,775	10,887	19,565	8,678
Associates		1,262,140	1,909,584	647,444	-	-	-
		1,793,166	2,579,385	786,219	10,887	19,565	8,678
Reserves released on disposal:							
Quoted investments	5.3			34,124			(7,399)
				34,124			(7,399)
Gains during the year				820,343			1,279

3 Income tax

3.1 Income tax expense

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

Current tax

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

Deferred tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the 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.

	Group		Company	
a) Income tax expense	**2019**	**2018**	**2019**	**2018**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**
Current income tax	276,733	369,294	72,642	27,164
Deferred income tax	41,86	121,058	11,241	(38,677)
	318,600	490,352	83,883	(11,513)

3 Income tax (continued)

3.1 Income tax expense (continued)

b) Tax rate reconciliation

The table below explains the differences between the expected tax expense at the Kenyan statutory tax rate of 30% and the Group's total tax expense.

	Group		Company	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
Accounting profit before tax	4,438,846	3,146,650	826,749	1,029,740
Tax at the applicable rate of 30% (2018: 30%)	1,331,654	943,995	248,025	308,922
Tax effect of:				
Income not subject to tax	(803,060)	(754,185)	(209,968)	(612,044)
Income subject to capital gains tax rate*	(1,848,232)	(486,994)	(315,613)	-
Expenses not deductible for tax	1,221,930	343,024	73,362	22,641
Unrecognised deferred tax assets	389,288	318,808	288,077	268,968
Adjustment in respect of prior periods	-	85,904	-	-
Differences in overseas tax rates	27,020	39,800	-	-
	318,600	490,352	83,883	(11,513)

c) Tax losses

	Group 2019	Group 2018	Company 2019	Company 2018
Unused tax losses for which no deferred tax asset has been recognised	1,297,627	1,062,694	960,257	677,342
Potential tax benefit at 30%	389,288	318,808	288,077	203,203

d) Unrecognised temporary differences	Group		Company	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised:				
Foreign currency translation	(114,631)	46,371	-	-
Undistributed earnings	2,655,955	2,655,955	-	-
	2,541,324	2,702,326	-	-
Unrecognised deferred tax liabilities relating to the above temporary differences	254,132	270,233	-	-

Temporary differences of Kshs 114 Million (2018 – Kshs 46 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.

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

3 Income tax (continued)

3.1 Income tax expense (continued)

e) Current income tax (recoverable)/payable	Group 2019 Ksh'000	Group 2018 Ksh'000	Company 2019 Ksh'000	Company 2018 Ksh'000
At start of year	(433,492)	(97,268)	23,752	53,597
Charge for the year - continuing operations	276,733	369,294	72,642	27,164
Charge for the year - discontinued operations	-	60,141	-	-
Payments during the year	(288,046)	(780,613)	(74,846)	(57,009)
Reclassified to liabilities held for sale	-	18,729	-	-
Prior year over provision	(23,112)	(3,775)	-	-
At end of year	(467,917)	(433,492)	21,548	23,752
Analysed as:				
Current income tax recoverable	(492,034)	(459,008)	-	-
Current income tax payable	24,117	25,516	21,549	23,752
	(467,917)	(433,492)	21,549	23,752

3.2 Deferred income tax

Deferred income tax is calculated on all temporary differences under the liability method using the currently enacted tax rate of 30% (2018: 30%) and the capital gains tax rate of 5% (2018: 5%). The movement on the deferred income tax account is as follows:

	Group 2019 Ksh'000	Group 2018 Ksh'000	Company 2019 Ksh'000	Company 2018 Ksh'000
At start of year	2,162,284	2,027,254	1,849,969	1,523,490
Deferred tax on acquisition of subsidiary	-	-	-	-
Charge/(credit) to income statement	41,867	121,058	11,241	(38,677)
(Credit)/charge to other comprehensive income	(73,967)	9,332	269,192	365,156
Reclassified to liabilities held for sale	-	4,640	-	-
At end of year	2,130,184	2,162,284	2,130,403	1,849,969
Deferred income tax assets and liabilities are analysed as follows:				
Deferred income tax assets	(757,499)	(460,088)	-	-
Deferred income tax liabilities	2,887,683	2,622,372	2,130,403	1,849,969
	2,130,184	2,162,284	2,130,403	1,849,969

3 Income tax (continued)

3.2 Deferred income tax

Group	At start of year Ksh'000	On acquisition/ disposal of s subsidiary Ksh'000	Charged/ (credited) to P/L Ksh'000	Charged/ (credited) to OCI Ksh'000	At end of year Ksh'000
Year ended 31 March 2019					
Property, plant and equipment:					
- on historical cost basis	894,318		(711,012)	-	183,306
- on fair value basis	105,413	-	-	281,320	386,733
Tax losses	(1,658,586)	-	322,904	-	(1,335,682)
Performance bonus provision	-	-	(18,614)	-	(18,614)
Leave pay provision	-	-	(4,761)	-	(4,761)
Other deductible temporary differences	(393,348)		316,362	-	(76,986)
Exchange differences	(63,693)	-	70,946	-	7,253
Fair value gains on investment property	3,648,351	-	69,621	-	3,717,972
Fair value gains on investments	(370,171)	-	(3,580)	(355,287)	(729,038)
	2,162,284	**-**	**41,867**	**(73,967)**	**2,130,184**
Year ended 31 March 2018					
Property, plant and equipment:					
- on historical cost basis	482,384	710	411,224	-	894,318
- on fair value basis	129,210	-	-	(23,797)	105,413
Tax losses	(830,910)	-	(827,676)	-	(1,658,586)
Performance bonus provision	-	-	-	-	-
Leave pay provision	-	-	-	-	-
Other deductible temporary differences	(239,894)	3,930	(157,384)	-	(393,348)
Exchange differences	(13,081)	-	(50,612)	-	(63,693)
Fair value gains on investment property	2,613,312	-	1,035,039	-	3,648,351
Fair value gains on investments	(113,767)	-	(289,533)	33,129	(370,171)
	2,027,254	**4,640**	**121,058**	**9,332**	**2,162,284**

3 Income tax (continued)

3.2 Deferred income tax (continued)

Company

	At start of year	Charged/ (credited) to P/L	Charged/ (credited) to OCI	At end of year
Year ended 31 March 2019				
Property and equipment	224	1,206	-	1,430
Other deductible temporary differences	(32,425)	6,997	-	(25,428)
Fair value gains on investments	1,890,307	-	269,192	2,159,499
Tax losses	(8,137)	3,038	-	(5,099)
	1,849,969	11,241	269,192	2,130,403
Year ended 31 March 2018				
Property and equipment	1,819	(1,595)	-	224
Other deductible temporary differences	(3,480)	(28,945)	-	(32,425)
Fair value gains on investments	1,525,151	-	365,156	1,890,307
Tax losses	-	(8,137)	-	(8,137)
	1,523,490	(38,677)	365,156	1,849,969

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

4 Working capital

4.1 Inventories

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

	Group	
	2019	**2018**
	Ksh'000	**Ksh'000**
Beverage business:		
- Raw materials	708,008	681,076
- Finished products	315,730	188,610
- Bottles, crates and crowns	51,387	63,930
- Spare parts and other inventories	235,999	327,044
- Provision for obsolescence	(308)	(8,100)
Publishing business:		
- Educational materials	516,556	499,050
- Provision for obsolescence	(65,672)	(61,825)
Real estate:		
- Work in progress (residential units under construction)	380,676	-
Agribusiness:		
- Consumables	4,531	2,691
	2,146,907	1,692,476

Inventories are held in Almasi Beverages Limited, King Beverages Limited, Longhorn Publishers Limited and Greenblade Growers Limited. The cost of inventories recognised as an expense and included in 'cost of sales' amounted to Ksh. 6,883,566,000 (2018:Ksh 6,381,223,000).

Inventories are also held at Vipingo Development Limited and Pearl Marina Estates Limited. These relate to land and construction work in progress of residential units under construction for sale. The inventories are held at cost.

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

4.2 Receivables and prepayments

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

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

4 Working capital (continued)

4.2 Receivables and prepayments (continued)

	Notes	Group 2019 Ksh'000	Group 2018 Ksh'000	Company 2019 Ksh'000	Company 2018 Ksh'000
Trade receivables		2,915,393	2,926,501	-	-
Less: expected credit losses allowance		(601,149)	(549,599)	-	-
Net trade receivables		2,314,244	2,376,902	-	-
VAT recoverable		1,146,404	950,716	-	-
Other receivables*		1,443,790	1,470,156	330,815	300,341
Reclassification to assets held for sale		-	(299,059)	-	-
Prepayments		156,181	679,976	32,056	70,147
Amounts due from related parties	7.2	-	-	-	297,786
Dividend receivable		113,586	31,620	362,633	242,236
		5,174,205	5,210,311	725,504	910,510
Amounts due from joint ventures		2,306,482	2,874,414	-	-
Less: Provision for impairment		(559,122)	(2,207,439)	-	-
		1,747,360	666,975	-	-
		6,921,565	5,877,286	725,504	910,510

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

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

	Group Ksh'000	Group Ksh'000	Company Ksh'000	Company Ksh'000
Movement in provision for expected credit losses				
At start of year	549,599	258,015	-	-
Charge in the year	146,329	306,837	-	-
Write back of provisions	(94,779)	(15,253)	-	-
At end of year	601,149	549,599	-	-

4 Working capital (continued)

4.3 Cash and cash equivalents

Cash and cash equivalents are accounted for at amortised cost in accordance with the accounting policies.

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

Cash and bank balances:

		Group		Company	
		2019	2018	2019	2018
		Ksh'000	Ksh'000	Ksh'000	Ksh'000
Banking subsidiary:					
- Bank balances		1,757,338	4,411,186	-	-
Others:					
- Call deposits (maturing within 90 days)		1,752,703	978,786	204,950	820,950
- Bank balances		1,883,230	632,050	47,802	256,716
		5,393,271	6,022,022	252,752	1,077,666
Reclassified to assets held for sale	8.6	-	(202,203)	-	-
		5,393,271	5,819,819	252,752	1,077,666

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	Group 2019	Group 2018	Company 2019	Company 2018
Cash and bank balances	5,393,271	6,022,022	252,752	1,077,666
Bank overdrafts	(108,398)	(1,947,576)	(108,398)	(1,947,576)
	5,284,873	4,074,446	144,354	(869,910)

At 31 March 2019 the Company had undrawn committed borrowing facilities amounting to Kshs 1,857,477,000 (2018: Kshs 52,424,000). The effective interest rate for the bank overdraft is 11% (2018: 14%). The overdraft facility is secured by a floating debenture over the corporate bonds and quoted shares.

4 Working capital (continued)

4.4 Payables and accrued expenses

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

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

		Group		Company	
		2019	2018	2019	2018
		Ksh'000	Ksh'000	Ksh'000	Ksh'000
Trade payables		801,302	1,160,404	-	-
Payable to property contractors		1,164,053	1,321,113	-	-
Accrued expenses		924,132	1,331,480	148,991	158,600
Other payables*		2,360,702	1,267,271	35,383	78,286
Reclassified to liabilities held for sale	8.5	-	(183,446)	-	-
Dividends payable		11,309	30,015	-	-
Due to related parties		39,365	72,796	351,078	293,798
		5,300,863	4,999,633	535,452	530,684

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

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

4.5 Deferred income

	Group	
	2019	2018
	Ksh'000	Ksh'000
Deferred income	75,855	90,239

The deferred income will be armotised as follows:

Within 1 year	33,416	28,196
Within 2 to 5 years	42,012	59,073
After 5 years	427	2,970
	75,855	90,239
Almasi Bottlers Limited	61,674	82,579
Zohari Leasing Limited	14,181	7,660
	75,855	90,239

4 Working capital (continued)

4.5 Deferred income (continued)

Almasi Beverages Limited

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

Zohari Leasing Limited

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

5 Investments

5.1 Investment properties

Buildings, or part of a building, (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation and are not occupied by the Group are classified as investment property 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.

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

	Group	
	2019	**2018**
	Ksh'000	**Ksh'000**
At start of year	32,718,667	27,311,091
Additions	118,381	1,098,049
Capitalised borrowing costs	(64,878)	392,141
Transfers to inventory/other assets	(125,539)	(96,153)
Transfers to property, plant and equipment	-	(154,451)
Gain from fair value adjustments	7,464,105	4,181,985
Disposals	(74,503)	-
Translation differences	(2,488)	(13,995)
	40,033,745	32,718,667

Capitalised borrowing costs

Capitalised borrowing costs relate to interest costs incurred during the development phase of Pearl Marina Estates Limited.

Transfers to inventory/other assets

These relate to transfers of investment property in Vipingo Development Limited and Pearl Marina Estates Limited to inventory following a change of use in these investment properties.

5 Investments (continued)

5.1 Investment properties (continued)

Transfers to property, plant and equipment

These relate to transfers of investment property in Two Rivers Development Limited to property, plant and equipment following a change of use in these investment properties

Valuation

The information is set out under Note 1.5.2

Cashflow

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

	Group	
	2019	2018
	Ksh'000	Ksh'000
Actual cash payments	86,781	361,238
Accrued expenses	31,599	736,811
	118,380	1,098,049

Valuers

The fair value of the investment property is based on the valuation carried out by Regent Valuers International (K) Limited, Standard Valuers International (K) Limited, and Arc Consultants Limited independent valuers. . The valuers are registered valuers and have recent experience in the locations and the category of the investment properties being valued.

Pledges as security for borrowings

Investment property valued at Kshs 15bn (2018: Kshs 15bn) has been pledged as security for borrowings in the Group.

Amounts in profit and loss:	Group	
	2019	2018
	Ksh'000	Ksh'000
Gain from fair value adjustments	7,464,105	4,181,985
Translation differences	(2,488)	(13,995)
	7,461,617	4,167,990

5 Investments (continued)

5.2 Unquoted equity investments

		Group		Company	
		2019	2018	2019	2018
		Ksh'000	Ksh'000	Ksh'000	Ksh'000
At start of year		4,362,975	4,226,166	3,886,780	3,796,836
Movements in the year:					
Additions		185,982	263,727	155,209	217,261
Reclassification from associates	6.2.1	-	294,863	-	294,863
Transfers from other assets		-	44,000	-	44,000
Fair value losses		(402,718)	(465,782)	(422,579)	(466,180)
		(216,736)	136,809	(267,370)	89,944
At end of year		4,146,239	4,362,975	3,619,410	3,886,780

The Group's unquoted investments relate to investments in Isuzu East Africa Limited, Nas Servair, Africa Crest Education (ACE) Holdings, Capital Market Challenge Fund and Nabo Unit Trusts Fund.

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

Capital Market Challenge Fund is also carried at cost as the fair value cannot be reliably determined. This is a private equity investment with no quoted market.

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. See detailed disclosure under Note 1.5.1.

5.3 Quoted equity investments

		Group		Company	
		2019	2018	2019	2018
	Notes	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At start of year		1,738,828	1,223,152	98,134	99,957
Movements in the year:					
Additions		644,082	386,106	-	-
Disposals		(104,617)	(422,593)	-	-
Reserves released on disposal	2.7	(187,121)	(34,124)	-	(10,887)
Translation differences		532	1,963	-	(8,587)
Fair value (losses)/gains		(530,540)	584,324	(45,556)	17,651
		(177,664)	515,676	(45,556)	(1,823)
At end of year		1,561,164	1,738,828	52,578	98,134

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

6 Group composition

6.1 Interest in subsidiaries

The companies interest in subsidiaries is as set out below:

		Cost			Cumulative fair value gains			Fair value	
	Ownership	1-Apr-18	Additions/ disposals	31-Mar-19	1-Apr-18	In the year	31-Mar-19	31-Mar-19	31-Mar-18
	%	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Athena Properties Limited	100%	114,735	-	114,735	(114,735)	-	(114,735)	-	-
Rasimu Limited	100%	100	-	100	710,082	(137,349)	572,733	572,833	710,182
Centum BVI Limited	100%	8	-	8	(8)	-	(8)	-	-
Two Rivers Development Limited	58.30%	1,216,458	-	1,216,458	11,140,948	(2,459,628)	8,681,320	9,897,778	12,357,406
Uhuru Heights Limited	100%	100	-	100	281,451	(42,517)	238,934	239,034	281,553
eTransact Limited	100%	100	-	100	(100)	-	(100)	-	-
Centum Exotics Limited	100%	100	-	100	23,266	(23,366)	(100)	-	23,366
Centum Development Limited	100%	91	-	91	3,537,265	628,160	4,165,425	4,165,516	3,537,356
Nabo Capital Limited	100%	438,000	-	438,000	(34,201)	38,834	4,633	442,633	403,799
Investpool Holdings Limited	100%	68	-	68	(68)	-	(68)	-	-
GenAfrica Investment Management Limited	73.35%	-	-	-	1,262,453	(1,262,453)	-	-	2,324,230
Mvuke Limited	100%	100	-	100	(100)	-	(100)	-	-
Centum Business Solutions Limited	100%	100	-	100	(100)	-	(100)	-	-
King Beverage Limited	100%	68,000	-	68,000	(68,000)	-	(68,000)	-	-
Almasi Beverages Limited	53.85%	3,261,043	7,530	3,268,573	5,435,782	1,146,786	6,582,568	9,851,141	8,696,825
Bakki Holdco Limited	100%	3,728,036	857,172	4,585,207	161,789	(1,433,593)	(1,271,804)	3,313,403	3,889,825
Vipingo Development Limited	100%	364	-	364	5,145,829	5,607,416	10,753,245	10,753,609	5,146,193
Vipingo Estates Limited	100%	386,209	-	386,209	620,957	542,631	1,163,588	1,549,797	1,007,166
Greenblade Growers Limited	100%	258,482	61,746	320,228	(198,160)	(61,304)	(259,464)	60,764	60,322
Mwaya Investments Company Limited	100%	1,000	-	1,000	(1,000)	-	(1,000)	-	-
Longhorn Publishers Limited	60.20%	749,866	-	749,866	12,799	277,184	289,983	1,039,849	762,665
Zohari Leasing Limited	100%	214,428	-	214,428	(1,453)	40,073	38,620	253,048	212,975
Tribus TSG Limited	100%	100	-	100	-	17,037	17,037	17,137	100
Barium Capital Limited	100%	-	5,000	5,000	-	(5,000)	(5,000)	-	-
		11,499,264	(130,329)	11,368,935	27,914,697	2,872,911	30,787,608	42,156,542	39,413,962
Disposal of subsidiary									
GenAfrica Investment Management Limited		(1,061,777)	1,061,777	-	(1,262,453)	1,262,453	-	-	(2,324,230)
		10,437,487	931,448	11,368,935	26,652,244	4,135,364	30,787,608	42,156,542	37,089,732

6 Group composition (continued)

6.1 Interest in subsidiaries (continued)

The companies interest in subsidiaries is as set out below:

		Cost			Cumulative fair value gains			Fair value	
	Ownership	01-Apr-17	Additions	31-Mar-18	01-Apr-17	In the year	31-Mar-18	31-Mar-18	31-Mar-17
	%	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Athena Properties Limited	100%	114,735	-	114,735	(89,642)	(25,093)	(114,735)	-	25,093
Rasimu Limited	100%	100	-	100	755,669	(45,587)	710,082	710,182	755,769
Centum BVI Limited	100%	8	-	8	(8)	-	(8)	-	-
Two Rivers Development Limited	58.33%	1,216,458	-	1,216,458	11,099,531	41,417	11,140,948	12,357,406	12,315,989
Uhuru Heights Limited	100%	100	-	100	261,249	20,202	281,451	281,551	261,349
eTransact Limited	100%	100	-	100	(100)	-	(100)	-	-
Centum Exotics Limited	100%	100	-	100	(100)	23,366	23,266	23,366	-
Centum Development Limited	100%	91	-	91	860,805	2,676,460	3,537,265	3,537,356	860,896
Nabo Capital Limited	100%	438,000	-	438,000	(27,198)	(7,003)	(34,201)	403,799	410,802
Investpool Holdings Limited	100%	68	-	68	2,117,079	(2,117,147)	(68)	-	2,117,147
GenAfrica Investment Management Limited	73.35%	1,079,453	-	1,079,453	324,730	920,047	1,244,777	2,324,230	1,404,183
Mvuke Limited	100%	100	-	100	(100)	-	(100)	-	-
Centum Business Solutions Limited	100%	100	-	100	17,419	(17,519)	(100)	-	17,519
King Beverage Limited	100%	68,000	-	68,000	(68,000)	-	(68,000)	-	-
Almasi Beverages Limited	53.85%	3,254,023	7,020	3,261,043	4,462,449	973,333	5,435,782	8,696,825	7,716,472
Bakki Holdco Limited	100%	3,447,650	280,385	3,728,036	(215,417)	377,206	161,789	3,889,825	3,232,233
Vipingo Development Limited	100%	364	-	364	3,950,499	1,195,330	5,145,829	5,146,193	3,950,863
Vipingo Estates Limited	100%	386,209	-	386,209	703,419	(82,462)	620,957	1,007,166	1,089,628
Greenblade Growers Limited	100%	210,072	48,410	258,482	(2,968)	(195,192)	(198,160)	60,322	207,104
Mwaya Investments Company Limited	100%	1,000	-	1,000	(1,000)	-	(1,000)	-	-
Longhorn Publishers Limited	60.20%	749,866	-	749,866	(11,803)	24,602	12,799	762,665	738,063
Zohari Leasing Limited	100%	214,428	-	214,428	(6,647)	5,194	(1,453)	212,975	207,781
Tribus TSG Limited	100%	-	100	100	-	-	-	100	-
		11,181,025	335,915	11,516,940	24,129,866	3,767,154	27,897,020	39,413,961	35,310,891
Disposal of subsidiary GenAfrica Investment Management Limited		(1,079,453)	-	(1,079,453)	(324,730)	(920,047)	(1,244,777)	(2,324,230)	(1,404,183)
		10,101,572	335,915	10,437,487	23,805,136	2,847,107	26,652,243	37,089,731	33,906,708

6 Group composition (continued)

6.1 Interest in subsidiaries (continued)

i) Incorporation and principal activity

Company	Country of incorporation	Classification	Principal activity
Athena properties Limited	Kenya	Investment operations	End-to-end project and development management services for real estate projects
Rasimu Limited	Kenya	Investment operations	Investment holding company. At 31 March 2019, the company's sole holding was a 3.65% stake in Two Rivers Development Limited
Pearl Marina Estates Limited	Uganda	Investment operations	Real estate development in Uganda
Two Rivers Development Limited	Kenya	Investment operations	Real estate development. The company is developing the Two Rivers project in Nairobi. The company holds a joint controlling stake of 50% at Two Rivers Lifestyle Center Limited and a 100% stake in Two Rivers Luxury Apartments Limited, Two Rivers Power Company Limited, Two Rivers Water and Sanitation Company Limited, Two Rivers Property Owners Limited, Two Rivers Office Suites Limited, Two Rivers Development Phase 2 Limited and Two Rivers Theme Park Limited.
Uhuru Heights Limited	Kenya	Investment operations	The company is an investment holding company . At 31 March 2019, the company's holdings included a 1.05% stake in Two Rivers Development Limited and investment property.
Centum Exotics Limited	Mauritius	Investment operations	The company is engaged in investment in quoted private equity investments. At 31 March 2019, the company held 100% stake in Oleibon Investments Limited.
Centum Development Limited	Mauritius	Investment operations	The company is an investment holding company for real estate development. At 31 March 2019, the company's sole holding was in Pearl Marina Estates Limited
Nabo Capital Limited	Kenya	Financial services	The company is involved in fund management and transaction advisory services.
Investpool Holdings Limited	Mauritius	Investment operations	Investment Holding Company. At 31 March 2019, 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.
Centum Business Solutions Limited	Kenya	Investment operations	Provision of shared services to Centum Investment Company Plc and its subsidiaries.
King Beverages Limited	Kenya	Trading	Importation, distribution and sale of alcoholic beverages
Almasi Beverages Limited	Kenya	Trading	Investment holding company for Mount Kenya Bottlers, Kisii Bottlers and Rift Valley Bottlers Limited. The principal activity of these subsidiaries is to bottle and market soft drinks under a franchise from the Coca-Cola Company.
Bakki Holdco Limited	Kenya	Financial services	Holding company for the Group's investment in Sidian Bank Limited.
Vipingo Development Limited	Kenya	Investment operations	Real estate development
Vipingo Estates Limited	Kenya	Investment operations	Real estate development
Greenblade Growers Limited	Kenya	Trading	Agricultural production
Shefa Holdings Limited	Mauritius	Investment operations	Private equity investments
Zohari Leasing Limited	Kenya	Financial services	Leasing services
Mvuke Limited	Kenya	Investment operations	Investment holding company for Akiira Geothermal Limited.
eTransact Limited	Kenya	Investment operations	Dormant entity
Centum BVI Limited	British Virgin Islands	Investment operations	Dormant entity
Mwaya Investment Company Limited	Mauritius	Investment operations	Dormant entity
Longhorn Publishers Limited	Kenya	Trading	Public limited liability company involved in publishing and distribution of learning materials in Kenya and East Africa.
Tribus TSG Limited	Kenya	Investment operations	Training, security and governance consultancy services.

6 Group composition (continued)

6.1 Interest in subsidiaries (continued)

ii) Significant restrictions

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

iii) Non controlling interests

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

	GenAfrica Asset Managers Limited		Sidian Bank Limited		Almasi Beverages Limited		Two Rivers Development Limited		Longhorn Publishers Limited	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Summarised balance sheet										
Current assets	-	501,261	10,761,179	9,969,025	3,461,113	3,782,809	6,200,317	6,475,132	1,372,949	1,291,622
Current liabilities	-	(202,174)	(17,520,782)	(17,485,705)	(1,334,814)	(2,011,450)	(1,807,386)	(1,764,236)	(559,941)	(440,639)
Net current assets	-	299,087	(6,759,603)	(7,516,680)	2,126,299	1,771,359	4,392,931	4,710,896	813,008	850,983
Non current assets	-	76,434	12,521,705	11,864,531	7,220,379	7,108,083	25,339,215	22,481,143	667,611	632,197
Non current liabilities	-	(883)	(1,781,081)	(718,503)	(1,438,490)	(1,352,756)	(10,621,411)	(8,814,081)	(560,934)	(574,159)
Net non current assets	-	75,551	10,740,624	11,146,028	5,781,889	5,755,327	14,717,804	13,667,062	106,677	58,038
Net assets	-	374,638	3,981,021	3,629,348	7,908,188	7,526,686	19,110,735	18,377,958	919,685	909,021
Accumulated NCI	-	99,841	721,759	834,024	3,649,629	3,473,566	7,969,176	7,658,095	366,035	361,790
Summarised income statement										
Income	-	542,494	3,329,713	2,659,267	8,077,713	8,348,883	481,143	313,277	1,973,953	1,280,482
Profit/(loss) for the year	-	134,235	(274,227)	(439,245)	593,671	920,563	(3,486,897)	(1,004,590)	247,281	106,756
Other comprehensive income	-	-	-	-	(325)	(394,057)	163,298	-	-	-
Total comprehensive income	-	134,235	(274,227)	(439,245)	593,346	526,505	(3,323,599)	(1,004,590)	247,281	106,756
Profit/(loss) allocated to NCI	-	35,774	(49,717)	(100,938)	273,829	242,982	(1,385,941)	(418,613)	98,418	42,489
Dividends paid to NCI	-	44,985	-	-	199,100	196,301	-	-	45,816	41,389

6 Group composition (continued)

6.2 Investment in associates and joint ventures

At the Company level, associates and joint ventures are accounted for at fair value in accordance with IFRS 9. At the Group level, associates and joint ventures are accounted for using the equity method and are recognised initially at cost. The Group's investment in associates and joint ventures includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of post acquisition accumulated profits or losses of associated companies and joint ventures in the carrying amount of the investments, which are generally determined from their latest audited annual financial statements or management accounts and the profit attributable to the Group is recognised in profit or loss.

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

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

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

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

6.2.1 Investment in associates

Set out below are the associates of the Group as at 31 March 2019. 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*	
		2019	*2018*
Nairobi Bottlers Limited	Kenya	27.62%	27.62%
UAP Financial Services Limited	Uganda	29.00%	29.00%
Akiira Geothermal Limited	Kenya	37.50%	37.50%

6 Group composition (continued)

6.2 Investment in associates and joint ventures (continued)

6.2.1 Investment in associates (continued)

Movements in investments in associates is as follows:

			Group		Company
		2019	2018	2019	2018
		Ksh'000	Ksh'000	Ksh'000	Ksh'000
At start of year		2,745,989	4,135,409	5,081,473	4,686,675
Share of profits after income tax		279,000	236,978	-	-
Fair value (loss)/gain		(3,148)	-	1,834,168	689,661
Dividends received		(216,844)	(150,544)	-	-
Additions during the year		115,673	81,149	-	
Reclassification to unquoted investments	5.2	-	(294,863)	-	(294,863)
Disposal at share of net assets		-	(1,262,140)	-	-
		2,920,670	2,745,989	6,915,641	5,081,473

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 2018 to account for the Group's investment in associates using the equity method. Significant transactions (if any) in the intermediate period are adjusted.

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

Disposal of associates

Year ended 31 March 2019

There were no disposal of associates during the year.

6 Group composition (continued)

6.2 Investment in associates and joint ventures (continued)

6.2.1 Investment in associates (continued)

Summarised financial information of associates

Set out below is the summarised financial information of the associates that are material to the Group. The summarised financial information is adjusted to reflect adjustments made by the Group when applying the equity method, including fair value adjustments at acquisition and modifications for differences in accounting policy. There were no modifications for differences in accounting policy in 2019 and 2018.

	Fast moving consumer goods		Financial services		Others		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Summarised statement of financial position								
Cash and cash equivalent	364,874	145,807	-	-	-	-	364,874	145,807
Other current assets	4,961,454	4,718,817	-	-	-	-	4,961,454	4,718,817
Total current assets	5,326,328	4,864,624	-	-	-	-	5,326,328	4,864,624
Non current assets	11,118,471	11,697,527	-	-	-	-	11,118,471	11,697,527
Financial liabilities (excluding trade payables)	(1,682,458)	(2,514,787)	-	-	-	-	(1,682,458)	(2,514,787)
Other current liabilities	(6,333,671)	(5,495,149)	-	-	-	-	(6,333,671)	(5,495,149)
Total currrent liabilities	(8,016,129)	(8,009,936)	-	-	-	-	(8,016,129)	(8,009,936)
Financial liabilities	(1,117,544)	(1,756,140)	-	-	-	-	(1,117,544)	(1,756,140)
Other non current liabilities	(2,056,616)	(1,981,091)	-	-	-	-	(2,056,616)	(1,981,091)
Total non current liabilities	(3,174,160)	(3,737,231)	-	-	-	-	(3,174,160)	(3,737,231)
Net assets	5,254,510	4,814,984	-	-	-	-	5,254,510	4,814,984
Reconciliation to carrying amounts:								
Opening net assets at 1 April:	4,814,984	4,520,084	-	-	-	-	4,814,984	4,520,084
Profit for the year	1,010,139	857,993	-	-	-	-	1,010,139	857,993
Other comprehensive income	-	-	-	-	-	-	-	-
Dividends paid	(570,613)	(563,093)	-	-	-	-	(570,613)	(563,093)
Closing net assets	5,254,510	4,814,984	-	-	-	-	5,254,510	4,814,984
Summarised statement of comprehensive income								
Revenue	17,957,688	15,593,512	-	-	-	-	17,957,688	15,593,512
Interest income	67,429	-	-	-	-	-	67,429	-
Interest expense	(507,749)	(352,898)	-	-	-	-	(507,749)	(352,898)
Income tax expense	(460,715)	(454,687)	-	-	-	-	(460,715)	(454,687)
Profit/(loss) for the period	1,010,139	857,993	-	-	-	-	1,010,139	857,993
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	1,010,139	857,993	-	-	-	-	1,010,139	857,993
Dividends received from associates	216,844	150,544	-	-	-	-	216,844	150,544

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

6 Group composition (continued)

6.2 Investment in associates and joint ventures

6.2.2 Investment in joint ventures

Set out below are the joint ventures of the Group at 31 March 2019. 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	
		2019	2018
Two Rivers Lifestyle Centre Limited	Mauritius	50%	50%
Amu Power Company Limited	Kenya	51%	51%

Movements in joint ventures are as follows:

	Group		Company	
	2019	2018	2019	2018
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At start of year	9,797,800	9,384,701	2,099,631	2,144,452
Additions during the year	937,885	-	-	-
Share of (loss)/profits after income tax	(1,702,835)	457,920	-	-
Foreign exchange loss *	(2,082)	(44,821)	(2,082)	(44,821)
Write-down of investment in joint venture	(1,965,538)	-	-	-
	7,065,230	9,797,800	2,097,549	2,099,631
Analysed as follows:				
- Joint ventures (equity)	4,967,681	7,698,169	-	-
- Joint ventures (debt)	2,097,549	2,099,631	2,097,549	2,099,631
	7,065,230	9,797,800	2,097,549	2,099,631

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

The Group used audited financial statements of Two Rivers Lifestyle Centre Limited for the year ended 31 March 2019 to account for the Group's joint ventures using the equity method. Amu Power Company Limited is carried at cost and still in the development phase. This is a private equity investment with no quoted market. Significant transactions in the intermediate period are adjusted.

* relates to foreign exchange differences in the debt investment in joint ventures. The debt investment is in US Dollars and as such this is a loss on translation of this debt investment to the presentation currency of the Group

i) Summarised financial information for joint ventures

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

6.2 Investment in associates and joint ventures (continued)

6.2.2 Investment in joint ventures

i) Summarised financial information for joint ventures (continued)

	Two Rivers Lifestyle Centre Limited	
	2019	**2018**
Summarised balance sheet	**Ksh'000**	**Ksh'000**
Current assets:		
- Cash and cash equivalent	70,002	30,394
- Other current assets	2,431,964	2,172,057
Total current assets	2,501,966	2,202,451
Non current assets	19,911,911	22,480,598
Current liabilities:		
- Financial liabilities (excluding trade payables)	(576,220)	(111,835)
- Other current liabilities	(1,957,056)	(1,671,216)
Total current liabilities	(2,533,276)	(1,783,051)
Non current liabilities		
- Financial liabilities (excluding trade payables)	(8,223,826)	(7,877,795)
- Other non current liabilities	(1,721,654)	(2,636,626)
Total non current liabilities	(9,945,480)	(10,514,421)
Net assets	**9,935,121**	**12,385,577**
Reconciliation to carrying amounts:		
Opening net assets 1 April	12,402,904	11,487,065
(Loss)/Profit for the year	3,405,670	915,839
Other comprehensive income	-	-
Capital contribution	937,887	-
Dividends paid	-	-
Closing net assets	**16,746,461**	**12,402,904**
Group's share in %	50%	50%
Group's share in KES	8,373,230	6,192,789
Goodwill	-	-
Carrying amount	**8,373,230**	**6,192,789**
Summary statement of comprehensive income		
Income	(3,523,825)	871,861
Interest income	-	584
Depreciation and amortisation	(51,487)	(48,241)
Interest expense	(836,722)	(597,927)
Income tax credit/(expense)	1,709,072	1,459,356
Profit for the year	**(3,405,670)**	**915,839**
Other comprehensive income	-	-
Total comprehensive income	**(3,405,670)**	**915,839**

ii) Other joint ventures

In addition to the interest in joint ventures disclosed above, the Group also has interests in Amu Power Company Limited. The carrying amount of the investment is at the historical cost and represents the Group's investments in the company's power project. The management considers the cost to be the estimate of fair values.

There were no commitmens and contingent liabilities with respect to associate and joint ventures that have a material impact on the Group.

7 Other financial assets and liabilities

7.1 Loans and advances

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Origination transaction costs and origination fees received that are integral to the effective rate are capitalised to the value of the loan and amortised through interest income as part of the effective interest rate.

	Group	
	2019	**2018**
	Ksh'000	**Ksh'000**
Term loans	13,239,376	12,017,349
Overdrafts	1,509,344	822,227
Credit cards	5,181	-
Interest in suspense	(299,886)	-
Gross loans and advances	14,454,015	12,839,576
Expected credit loss allowance	(1,265,489)	(1,067,455)
	13,188,526	11,772,121
Analysis of gross loans and advances by maturity		
Maturing within one year	3,149,398	1,790,219
Between two and three years	5,112,319	4,151,554
Over 3 years	6,192,298	6,897,803
	14,454,015	12,839,576
The movement in the expected credit loss allowance:		
Statement of financial position		
At start of year	1,067,455	795,880
Charged through profit or loss in the year (loans and advances)	736,469	449,171
Charged to opening retained earnings	187,135	-
Write - offs in the year	(725,570)	(177,596)
At end of year	1,265,489	1,067,455
Profit and loss		
Provision in the year	758,364	463,545
Recoveries on amounts previously provided for	(21,895)	(14,373)
	736,469	449,171

7 Other financial assets and liabilities (continued)

7.1 Loans and advances (continued)

Loans and advances are held by Sidian Bank Limited.

The aggregate amount of non-performing advances was Ksh 2,961,040,000 (2018: Ksh 2,614,882,587) against which provisions of Ksh 1,265,489,000 (2018: ksh 1,067,455,000) in addition to the suspended interest. The weighted average effective interest rate on loans and advances as at 31 March 2019 was 11.2% (2018: Shs 14%).

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

	Group	
	2019	**2018**
	Ksh'000	**Ksh'000**
Fair value of collateral held	36,587,473	27,847,691

Impairment of loans and advances

The estimation of impairment of loans and ad=vances is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of impairment of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

The Group has developed models to support the quantification of the credit risk. These rating and scoring models are in use for all key credit portfolios and form the basis for measuring default risks. In measuring credit risk of loans and advances at a counterparty level, the Group considers three components: (i) the 'Probability of Default' (PD) by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Group derive the 'Exposure at Default' (EAD); and (iii) the likely recovery ratio on the defaulted obligations (the 'Loss Given Default') (LGD). The models are reviewed regularly to monitor their robustness relative to actual performance and amended as necessary to optimise their effectiveness.

Credit risk grading

The Group uses internal credit risk gradings that reflect its assessment of the probability of defaults of individual counterparties. The Group uses internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, the level of collateral for retail exposures, and turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgment from the credit officers to be fed into the final internal credit rating for each exposure. This allows for the considerations which may not be captured as part of the other data input into the model.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between A and A- rating grade is lower than the difference in the PD between a B and B- rating grade.

The following are additional considerations for other types of portfolio held by the Group:

Expected credit loss measurement

IFRS 9 outlines a 'three-Stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

7 Other financial assets and liabilities (continued)

7.1 Loans and advances (continued)

Expected credit loss measurement (continued)

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The key judgements and assumptions adopted by the Group in addressing the requirement of the standard are as follows;

(a) Significant Increase in credit risk (SICR)

The Group's decision on whether expected credit losses are based on 12-month expected credit losses or lifetime expected credit losses depends on whether there has been a significant increase in credit risk since initial recognition. An assessment of whether credit risk has increased significantly is made at each reporting date.

The Group considers a financial instruments to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met.

Quantitative Criteria

The quantitative criteria is based on relative and not absolute changes in credit quality as stated in the table above driven by ratings and days past due.

The Group considers that financial instruments for which default patterns are not concentrated at a specific point during the expected life of the financial instrument, changes in the risk of a default occurring over the next 12 months may be a reasonable approximation of the changes in the lifetime risk of a default occurring and could be used to determine whether credit risk has increased significantly since initial recognition.

The Group considers if there has been an increase in the customer's rating, the facility is deemed to have a significant increase in credit risk. The standard also sets out a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. This 30 days past due simplification permits the use of delinquency or past due status to identify a significant increase in credit risk. In adherence to the standard, the Group shall at every reporting period assess the loan portfolio individually for possible breach of the 30 days past due SICR criterion. Where there is a breach and the loan has not been transferred to stage 2, the Group shall rebut the 30 days rebuttable presumption based on availability of supportable and reasonable information to justify that credit quality has not deteriorated significantly since initial recognition.

The Group's quantitative credit grading, as compared to CBK's prudential guidelines, into five prudential guidelines categories as follows:

IFRS 9 credit staging	CBK PG/04 Guidelines	Days past due
1	Normal	Up to date and in line with contractual agreements or within 30 days' arrears
2	Watch	31 to 90 days overdue
3	Substandard	91 to 180 days overdue
	Doubtful	181 – 365 days overdue
	Loss	Over 365 overdue

7 Other financial assets and liabilities (continued)

7.1 Loans and advances (continued)

(a) Significant Increase in credit risk (SICR) (continued)

Qualitative Criteria

In addition to the above, the Group considers other qualitative factors in determining the classification above, and may accelerate the classification of credit facilities where deemed appropriate. They include but not limited to the following:

1. Significant changes in the terms of the same instrument if it were issued at the reporting date that indicate a change in credit risk since initial recognition, e.g. increase in credit spread; more stringent covenants; increased amounts of collateral or guarantees; or higher income coverage
2. Significant changes in external market indicators of credit risk for the same financial instrument (or similar instrument of the borrower), e.g. other market information related to the borrower, such as changes in the price of a borrower's debt and equity instruments; or external credit rating (actual or expected)
3. Actual or expected adverse changes in business, financial or economic conditions significantly affecting borrower's ability to meet its debt obligations
4. Significant changes in the value of collateral which are expected to reduce the borrower's economic incentive to pay or otherwise affect the probability of default.
5. Expected changes in the loan documentation (e.g. breach of contract leading to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees).
6. Significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the group (e.g. increase in delayed contractual payments or number of credit card borrowers expected to approach or exceed their credit limit or who are expected to be paying the minimum monthly amount).

Backstop

A backstop is applied and the financial instrument is considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments

(b) Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of creditimpaired, when it meets one or more of the following criteria:

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance;
- The borrower is deceased;
- The borrower is insolvent or becoming probable that the borrower will enter bankruptcy;
- The borrower is in breach of financial covenants;
- An active market for that financial asset has disappeared because of financial difficulties;
- Concessions have been made by the lender relating to the borrower's financial difficulty;
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

7 Other financial assets and liabilities (continued)

7.1 Loans and advances (continued)

(b) Definition of default and credit-impaired assets (continued)

Quantitative criteria (continued)

The Group considers a facility that is more than 90 days past due as credit impaired as per internal risk rating.

The above criteria have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) throughout the Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

(c) Measuring expected credit loss – inputs, assumptions and estimation techniques

The expected credit loss (ECL) is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows;

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- LGD represents the Group's expectations of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is calculated on a 12-month or lifetime basis, where 12 month LGD is the percentage of loss expected to be made if the default occurs over the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12 month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and a credit grade. This is supported by a historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type:

- For amortising products or bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by the borrower. Early repayments/refinance assumptions are also incorporated.
- For revolving products, the exposure at default is predicted by taking the current drawn-down balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group's recent default data.

7 Other financial assets and liabilities (continued)

7.1 Loans and advances (continued)

(c) Measuring expected credit loss – inputs, assumptions and estimation techniques (continued)

The 12-month and lifetime LGDs are determined based on the factors which impact the recoverable amount post default. These vary by product type:

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/ book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies, including contracted debt sales and prices.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type.

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on a quarterly basis.

(d) Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact on PD, EAD and LGD vary by financial instrument.

Forecasts of the base economic scenario and the possible scenarios along with scenario weightings are prepared by an expert economic team. The impact of these economic variables on the PD, EAD and LGD is determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible outcomes.

The most significant assumptions affecting the ECL allowance are as follows. The scenarios "base", "upside" and "downside" were used for all portfolios.

			All segments
	Base	Upside	Downside
Exchange rate (USD)	100.85	97.16	104.54
Nominal Gross domestic product (GDP)	6.00%	5.77%	6.20%
Money supply	2.18%	2.12%	2.23%
Fiscal revenue	2.90%	2.77%	3.03%
Inflation	4.70%	4.50%	4.90%

The weightings assigned to each economic scenario at 1 April 2018 and 31 March 2019 were as follows:

	Base	Upside	Downside
Weightings	50%	30%	20%

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have been considered, but are not deemed to have a material impact on therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

7 Other financial assets and liabilities (continued)

7.1 Loans and advances (continued)

(d) Forward-looking information incorporated in the ECL models (continued)

Maximum exposure to credit risk before collateral held

The breakdown of loans and advances is summarised below:

Group and Bank				2019	2018
	Stage 1	Stage 2	Stage 3	Total	
	12 month ECL	Lifetime ECL			
	Shs' 000	Shs' 000	Shs' 000	Shs' 000	Shs' 000
Individually impaired / non performing facilities					
Grade 3: Substandard	-	-	488,470	488,470	409,376
Grade 4: Doubtful	-	-	2,044,260	2,044,260	2,009,623
Grade 5: Loss	-	-	249,190	249,190	195,884
Gross amount	**-**	**-**	**2,781,920**	**2,781,920**	**2,614,883**
Credit impairment losses	-	-	908,591	908,591	955,408
Carrying amount	**-**	**-**	**1,873,329**	**1,873,329**	**1,659,474**
Collectively impaired					
Grade 1: Normal	11,170,158	-	-	11,170,158	9,727,478
Grade 2: Watch	-	801,823	-	801,823	821,040
Gross amount	**11,170,158**	**801,823**	**-**	**11,971,981**	**10,548,518**
Credit impairment losses	579,576	77,208	-	656,784	435,871
Carrying amount	**10,590,582**	**724,615**	**-**	**11,315,197**	**10,112,647**
Total carrying amount	**10,590,582**	**724,615**	**1,873,329**	**13,188,526**	**11,772,121**

(e) Collateral and other credit enhancements

The Group uses a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The acceptability of collateral for credit risk mitigation is guided by the Group's procedures and policies. The main types of collateral taken are:

7 Other financial assets and liabilities (continued)

7.1 Loans and advances (continued)

(e) Collateral and other credit enhancements (continued)

Type of lending	Common collateral type
Mortgage lending	First ranking legal charge over the property financed.
Commercial loans	Debentures over the Bank's assets, cash cover in cash margin account, first ranking legal charge over both commercial and residential properties, directors' personal guarantees and Bank guarantees.
Personal loans	Checkoffs and cash backed
Asset finance	Secured by motor vehicles and chattel registrations
Other loans and advances	Debentures over the Bank's assets, cash cover in cash margin account, first ranking legal charge over both commercial and residential properties, directors' personal guarantees and Bank guarantees.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss the Bank will seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances. The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the period.

Valuation of collateral

The Group has a panel of valuers who undertake valuation of property and other assets to be used as Collateral. The valuers in the panel are qualified professional valuers with adequate experience in the field of property and machinery valuation. Valuation of collateral are performed between 3 to 5 year intervals.

Lending limits

The Group maintains strict control limits on net open derivative positions (that is, the difference between purchase and sale contracts) by both amount and term. The amount subject to credit risk is limited to expected future net cash inflows of instruments, which in relation to derivatives are only a fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not always obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Bank's market transactions on any single day.

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards (often referred to as financial covenants).

The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

7 Other financial assets and liabilities (continued)

7.1 Loans and advances (continued)

(f) Impairment and provisioning policies

The loss allowance recognised in the period is impacted by a variety of factors as follows:

- Transfers between Stage 1 and Stage 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit impaired in the period, and the consequent "step up" or "step down" between 12-month and lifetime ECL;
- Additional allowance for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

The following tables explain the changes in the loss allowance in the year due to these factors:

Group and Bank	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	Khs '000	**Khs '000**	**Khs '000**	**Khs '000**
Loss allowance at 31 March 2018	87,416	24,631	955,408	1,067,455
Changes on application of IFRS 9	83,620	104,499	(984)	187,135
Loss allowance at 1 April 2019	171,036	129,130	954,424	1,254,590
Net staging transfers	225,167	(76,464)	(148,703)	-
Changes in PDs/LGDs/EADs	-	-	-	-
Changes in model assumptions	-	-	-	-
Modification of contractual cash flows	-	-	-	-
Unwind of discount	-	-	-	-
New financial assets originated or purchased	207,899	21,876	298,716	528,491
Net charge to profit or loss in the year	604,102	74,542	1,104,437	1,783,082
Other movements with no P&L impact:				-
Net staging transfers	-	-	-	-
Financial assets derecognised	(5,254)	(7,759)	(27,098)	(40,111)
Write-offs	-	-	(177,596)	(177,596)
At year end	**598,848**	**66,783**	**899,743**	**1,565,375**

7 Other financial assets and liabilities (continued)

7.1 Loans and advances (continued)

The following table below shows the movement in gross carrying amount of loans and advances to help explain the changes in the loss allowance for the same portfolio:

Group and Bank	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	Khs '000	Khs '000	Khs '000	Khs '000
Gross carrying amount at 31 March 2018	9,403,654	821,040	2,614,883	12,839,576
Changes on initial application of IFRS 9	-	-	-	-
Gross carrying amount at 1 April 2019	**9,403,654**	**821,040**	**2,614,883**	**12,839,576**
Net staging transfers	259,887	(541,658)	281,771	-
Financial assets derecognised	(3,814,667)	(78,479)	(161,016)	(4,054,162)
New financial assets originated	5,685,640	129,156	579,375	6,394,171
Modification of contractual cash flows	-	-	-	-
Changes in interest accrual	-	-	-	-
Write-offs	-	-	(425,684)	(425,684)
FX translation and other movements	-	-	-	-
At year end	**11,534,513**	**330,059**	**2,889,329**	**14,753,901**

7.2 Government securities and corporate bonds

		Group		Company	
		2019	2018	2019	2018
	Notes	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Government securities at fair value through profit or loss	7.2.1	735,319	401,555	-	-
Government securities at amortised cost	7.2.2	2,598,122	3,151,297	-	-
Corporate bonds at amortised cost	7.2.3	106,082	143,694	-	-
Commercial papers at amortised cost	7.2.4	30,000	359,881	-	297,786
		3,469,523	**4,056,427**	**-**	**297,786**

7 Other financial assets and liabilities (continued)

7.2 Government securities and corporate bonds (continued)

7.2.1 Government securities at fair value through profit or loss

	Group		Company	
	2019	2018	2019	2018
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At start of year	**401,555**	**51,662**	**-**	**-**
Movements in the year:				
Additions	343,541	398,739	-	-
Disposals	(12,780)	(50,922)	-	-
Accrued interest	509	3,127	-	-
Fair value gains/(losses)	2,494	(1,051)	-	-
	333,764	**349,893**	**-**	**-**
At end of year	**735,319**	**401,555**	**-**	**-**

Changes in fair values of government securities at fair value through profit and loss are recorded in 'investment income' in the income statement.

	Group		Company	
	2019	2018	2019	2018
7.2.2 Government securities at amortised cost	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At start of year	**3,151,296**	**2,225,716**	**-**	**-**
Movements in the year:				
Additions	979,791	1,886,843	-	-
Disposals	(1,626,329)	(1,202,244)	-	-
Accrued interest	93,364	240,981	-	-
	(553,174)	925,580	-	-
At end of year	**2,598,122**	**3,151,296**	**-**	**-**

7.2.3 Corporate bonds at amortised cost

At start of year	**143,695**	**744,120**	**-**	**-**
Movements in the year:				
Additions	162,295	-	-	-
Impairment of corporate bonds	(200,000)	(200,000)	-	-
Accrued interest	92	5,990	-	-
Maturities	-	(406,415)	-	-
	(37,613)	**(600,425)**	**-**	**-**
At end of year	**106,082**	**143,695**	**-**	**-**

7 Other financial assets and liabilities (continued)

7.2 Government securities and corporate bonds (continued)

7.2.4 Commercial papers at amortised cost

	Group		Company	
	2019	2018	2019	2018
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At start of year	359,881	-	-	-
Movements in the year:				
Additions	30,000	340,942	-	287,442
Accrued interest	-	18,939	-	10,344
Interest receipts	-	-	-	-
Disposals	(359,881)	-	-	-
	(329,881)	**359,881**	**-**	**297,786**
At end of year	**30,000**	**359,881**	**-**	**297,786**

7.2.5 Government securities and corporate bonds

The maturity profile of government securities and corporate bonds is set out below:

Group	**0 - 180 days**	**181 days - 1 year**	**1 - 5 years**	**Over 5 years**	**Total**
Year ended 31 March 2019	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
Government securities at fair value through profit and loss	735,319	-	-	-	735,319
Government securities at amortised cost	810,958	-	-	1,787,164	2,598,122
Corporate bonds at amortised cost	-	-	106,082	-	106,082
Commercial papers at amortised cost	-	30,000	-	-	30,000
	1,546,277	**30,000**	**106,082**	**1,787,164**	**3,469,523**

	0 - 180 days	**181 days - 1 year**	**1 - 5 years**	**Over 5 years**	**Total**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
Year ended 31 March 2018					
Government securities at fair value through profit and loss	-	-	-	401,555	401,555
Government securities at amortised cost	-	3,151,296	-	-	3,151,297
Corporate bonds at amortised cost	-	-	143,695	-	143,694
Commercial papers at amortised cost	-	359,881	-	-	359,881
Year ended 31 March 2018	**-**	**3,511,177**	**143,695**	**401,555**	**4,056,427**

7.3 Customer deposits

	Group	
	2019	2018
	Ksh'000	Ksh'000
Call and fixed deposits	6,843,332	5,971,952
Current and demand accounts	5,235,567	4,595,765
Savings accounts	2,737,785	2,264,678
	14,816,684	**12,832,395**

7 Other financial assets and liabilities (continued)

7.3 Customer deposits (continued)

	Group	
	2019	2018
	Ksh'000	Ksh'000
Payable within one year	14,781,282	12,558,952
Between one year and three years	35,402	273,443
	14,816,684	**12,832,395**

Customer deposits are held by Sidian Bank Limited.

8 Non financial assets

8.1 Property, plant and equipment

All categories of property, plant and equipment excluding land and buildings are initially recorded at cost and subsequently depreciated. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Land and buildings are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown under other reserves in equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve, all other decreases are charged to profit or loss.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	40 - 50 years
Factory plant and machinery	8 years
Motor vehicles, lorries and trucks	4 - 5 years
Computers	3 - 4 years
Furniture, fittings and equipment	8 - 10 years

Depreciation charged on factory plant, buildings, machinery and motor vehicles used in distribution of raw materials and finished goods is included in cost of sales while depreciation on all the other assets is included in operating and administrative expenses in the statement of profit or loss.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

The Group annually reviews the carrying amounts of its property, plant and equipment in order to determine whether there is any indication of impairment. If any such indication exists, the recoverable amounts of the assets are estimated in order to determine the extent, if any, of the impairment loss.

8 Non financial assets

8.1 Property, plant and equipment (continued)

Group

	Land and buildings	Factory, plant and equipment	Office furniture and fittings	Motor vehicles	Computers	Bottles, coolers, crates	Work in progress*	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At 1 April 2018								
Cost or valuation	1,739,457	6,513,597	1,348,240	620,913	495,232	1,916,468	523,118	13,157,025
Accumulated depreciation	(14,016)	(1,000,035)	(501,040)	(205,003)	(263,699)	(1,507,771)	-	(3,491,564)
Net book amount	**1,725,441**	**5,513,562**	**847,200 -**	**415,910**	**231,533**	**408,697**	**523,118**	**9,665,461**
Year ended 31 March 2019								
Opening net book amount	1,725,441	5,513,562	847,200	415,910	231,533	408,697	523,118	9,665,461
Additions	365,098	2,078,640	110,965	262,142	25,178	43,300	346,480	3,231,802
Transfers*	-	349,637	-	-	-	1,881	(351,518)	-
Disposals	(284,996)	(69,623)	(6,326)	(14,892)	-	27,542	(109,510)	(457,806)
Depreciation released on disposal	-	-	-	6,551	1,167	41,814	-	49,532
Depreciation charge for the year	(57,022)	(865,990)	(81,400)	(128,070)	(66,230)	(222,543)	-	(1,421,255)
Closing net book amount	**1,748,521**	**7,006,226**	**870,439**	**541,641**	**191,647**	**300,691**	**408,570**	**11,067,734**
At 31 March 2019								
Cost or valuation	1,819,559	8,872,251	1,452,879	868,162	520,410	1,989,191	408,570	15,931,022
Accumulated depreciation	(71,038)	(1,866,025)	(582,440)	(326,522)	(328,762)	(1,688,500)	-	(4,863,287)
Net book amount	**1,748,521**	**7,006,226**	**870,439**	**541,640**	**191,648**	**300,691**	**408,570**	**11,067,734**

There are no PPE items pledged as security for borrowings

* relates to capitalisation of costs for assets that are ready for use from work in progress to the various classes.

8 Non financial assets

8.1 Property, plant and equipment (continued)

Group

	Land and buildings	Factory, plant and equipment	Office furniture and fittings	Motor vehicles	Computers	Bottles, coolers, crates	Work in progress*	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At 1 April 2017								
Cost or valuation	2,394,628	3,478,588	1,208,331	416,748	473,595	1,657,991	2,762,077	12,391,958
Accumulated depreciation	(91,218)	(558,588)	(439,430)	(156,540)	(229,629)	(844,545)	-	(2,319,950)
Net book amount	**2,303,410**	**2,920,000**	**768,901**	**260,208**	**243,966**	**813,446**	**2,762,077**	**10,072,008**
Year ended 31 March 2018								
Opening net book amount	2,303,410	2,920,000	768,901	260,208	243,966	813,446	2,762,077	10,072,008
Additions	29,552	733,135	163,836	324,183	43,149	288,549	169,653	1,752,058
Transfers**	-	2,157,247	-	-	-	-	(2,157,247)	-
Disposals	(370)	153,250	(5,717)	(117,484)	(14,454)	(30,072)	(251,365)	(266,212)
Reclassification to assets held for sale	(280,000)							(280,000)
Revaluation deficit	(404,353)	-	-	-	-	-	-	(404,353)
Depreciation released on revaluation	126,441	-	-	-	-	-	-	126,441
Depreciation released on disposal	-	43,876	4,939	61,180	32	-	-	110,027
Depreciation charge	(49,239)	(493,945)	(84,759)	(112,177)	(41,160)	(663,226)	-	(1,444,507)
Closing net book amount	**1,725,441**	**5,513,562**	**847,200**	**415,910**	**231,533**	**408,697**	**523,118**	**9,665,461**
At 31 March 2018								
Cost or valuation	1,739,457	6,513,597	1,348,240	620,913	495,232	1,916,468	523,118	13,157,025
Accumulated depreciation	(14,016)	(1,000,035)	(501,040)	(205,003)	(263,699)	(1,507,771)	-	(3,491,564)
Net book amount	**1,725,441**	**5,513,562**	**847,200**	**415,910**	**231,533**	**408,697**	**523,118**	**9,665,461**

8 Non financial assets (continued)

8.1 Property, plant and equipment (continued)

Group

There are no assets within property, plant and equipment where the Group is a lessee under a finance lease. Information on non-current assets pledged as security by the Group is set out under Note 9.1.

If freehold land and buildings carried at fair value were stated on the historical cost basis, the amounts would be as follows:

	2019	2018
	Ksh'000	Ksh'000
Land and buildings		
Cost	1,757,516	1,633,181
Accumulated depreciation	(94,897)	(90,064)
Net book amount	1,662,619	1,543,117

Fair value hierarchy

Details of the fair value hierarchy for the Group's property plant and equipment held at fair value as at 31 March 2018 are as follows. An explanation of each level is provided in Note 10.1(d)

	Level 1	*Level 2*	*Level 3*	*Total*
31 March 2019	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
Land and buildings	-	-	1,748,521	1,748,52
31 March 2018				
Land and buildings	-	-	1,725,441	1,725,441

The following table presents the changes in level 3 items for the year ended 31 March 2019 and 31 March 2018 for recurring fair value measurements:

	2019	2018
	Ksh'000	Ksh'000
At start of year	1,725,441	2,303,410
Additions	365,098	29,552
Disposals	(284,996)	(370)
Revaluation surplus	-	(404,353)
Reclassification to assets classified as held for sale	-	(280,000)
Depreciation released on revaluation	-	126,441
Depreciation charge	(57,022)	(49,239)
At end of year	1,748,521	1,725,441

8 Non financial assets (continued)

8.1 Property, plant and equipment (continued)

Company

	Motor Vehicles	Computers	Furniture & Fittings	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At 1 April 2018				
Cost	27,536	3,722	112,338	143,596
Accumulated amortisation	(10,324)	(166)	-	(10,490)
Net book amount	17,212	3,556	112,338	133,106
Year ended 31 March 19				
Opening net book amount	17,212	3,556	112,338	133,106
Additions	-	14,379	404	14,784
Depreciation charge	(5,633)	(4,508)	(10,029)	(20,171)
Closing net book amount	11,579	13,427	102,713	127,719
At 31 March 2019				
Cost	27,536	18,101	112,742	158,379
Accumulated amortisation	(15,957)	(4,674)	(10,029)	(30,660)
Net book amount	11,579	13,427	102,713	127,719
At 1 April 2017				
Cost	27,536	-	-	27,536
Accumulated amortisation	(4,691)	-	-	(4,691)
Net book amount	22,845	-	-	22,845
Year ended 31 March 18				
Opening net book amount	22,845	-	-	22,845
Additions	-	3,722	112,338	116,060
Depreciation charge	(5,633)	(166)	-	(5,799)
Closing net book amount	17,212	3,556	112,338	133,106
At 31 March 2018				
Cost	27,536	3,722	112,338	143,596
Accumulated amortisation	(10,324)	(166)	-	(10,490)
Net book amount	17,212	3,556	112,338	133,106

8 Non financial assets (continued)

8.2 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of associates is included in investments in associates. Goodwill on subsidiaries is not amortised but is tested annually or more frequently if changes in circumstances indicate that it might be impaired 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. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes being the operating segment.

An impairment loss is recognised in profit or loss if the carrying amount of an asset or a cash-generating unit exceeds its estimated recoverable amount. For the purpose of impairment testing, assets are Grouped together into cash- generating units. The recoverable amount of an asset or cash-generating unit is the higher of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (Group of units) on a pro rata basis.

An impairment loss is subsequently reversed only to the extent that the asset or cash-generating unit's carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised. A reversal of an impairment loss is recognised immediately in profit or loss. An impairment loss in respect of goodwill is not reversed.

Computer software

Expenditure incurred on computer software are initially accounted for at cost and subsequently at cost less any accumulated amortisation and accumulated impairment losses. Amortisation is calculated on a straight line basis over the estimated useful lives for a period of 3 to 5 years.

8 Non financial assets

8.2 Intangible assets (continued)

At 1 April 2018	Group			Company
	Goodwill	Computer software	Total	Computer software
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At 1 April 2018				
Cost	2,561,522	1,125,993	3,687,515	2,327
Accumulated amortisation	-	(440,736)	(440,736)	(2,122)
Net book amount	2,561,522	685,257	3,246,779	205
Year ended 31 March 2019				
Opening net book amount	2,561,522	685,257	3,246,779	205
Additions	-	180,457	180,457	-
Disposals	-	(3,488)	(3,488)	-
Amortisation charge & impairment	(793,241)	(135,461	(928,702)	(205)
Closing net book amount	1,768,281	726,765	2,495,046	-
At 31 March 2019				
Cost	2,561,522	1,302,962	3,864,484	2,327
Accumulated amortisation	-	(576,197)	(576,197)	(2,327)
Accumulated impairment	(793,241)	-	(793,241)	-
Net book amount	1,768,281	726,765	2,495,046	-

8 Non financial assets

8.2 Intangible assets (continued)

	Group			Company
	Goodwill	Computer software	Total	Computer software
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At 1 April 2017:				
Cost	3,528,732	785,120	4,313,852	2,327
Accumulated amortisation	-	(313,059)	(313,059)	(1,764)
Net book amount	3,528,732	472,061	4,000,793	563
Year ended 31 March 2018				
Opening net book amount	3,528,732	472,061	4,000,793	(212)
Additions	-	410,263	410,263	-
Reclassification to assets held for sale	(967,210)	(57,640)	(1,024,850)	-
Disposals	-	(8,523)	(8,523)	-
Amortisation charge	-	(130,904)	(130,904)	(358)
Closing net book amount	2,561,522	685,257	3,246,779	(570)
At 31 March 2018				
Cost	2,561,522	1,125,993	3,687,515	2,327
Accumulated amortisation	-	(440,736)	(440,736)	(2,122)
Net book amount	2,561,522	685,257	3,246,779	205

Goodwill on acquisition

Goodwill represents the excess of the cost of acquisition over the fair value of the share of net identifiable assets of the subsidiary at the date of acquisition. Goodwill on acquisition of associates in included in the carrying amount of the investments in associates. Goodwill is monitored by the directors at the level of the related cash generating unit (CGU) as follows:

	2019	2018
	Ksh'000	Ksh'000
Almasi Beverages Limited	1,351,539	1,351,539
Sidian Bank Limited	55,407	848,648
Longhorn Publishers Limited	361,335	361,335
	1,768,281	2,561,522

8 Non financial assets (continued)

8.2 Intangible assets (continued)

Goodwill on acquisition (continued)

Goodwill is monitored by management at the Group level and management considers the whole business to be one cash generating unit for the purposes of testing the impairment of goodwill.

The computation of the recoverable amounts for the purposes of Goodwill testing is done on Fair value less cost to sell basis or value in use calculations using a discounted cashflow. See the analysis of the method used and the assumptions used.

Cash generating unit	**Method used and assumptions**
Almasi Beverages Limited	Method Used to determine recoverable amount: Fair value less cost to sell The Fair value of the entiy was determined using multiples as described in note 1.5.1 Assumptions: 1. Comparative multiples 2. Illiquidity discount *Significant estimate: Impact of possible changes in key assumptions:* *1. Comparative multiples* If the comparative multiple applied in the valuation had been 5% lower than management have estimated and all other assumptions in the table above unchanged, the headroom would Ksh 482 million lower. If the comparative multiple applied in the valuation had been 5% higher than management have estimated and all other assumptions in the table above unchanged, the headroom would Ksh 482 million higher. *2. Illiquidity discount* The maximum illiquidity discount has been used for purposes for determining the fair value. If the discount used was 5% lower, the headroom would have been Ksh 73 million higher.

8 Non financial assets (continued)

8.2 Intangible assets (continued)

Cash generating unit	**Method used and assumptions**
Sidian Bank Limited	Method Used to determine recoverable amount: Fair value less cost to sell The Fair value of the entiy was determined using price-to-book multiples adjusted for control premium as described in note 1.5.1 *Assumptions:* 1. Comparative multiples 2. Control premium The annual impairment review indicated that the carrying amount exceeded the recoverable amount. Accordingly, the directors have recorded impairment relating to the subsidiary's goodwill of KES 793,241,000. Significant estimate: Impact of possible changes in key assumptions: *1. Comparative multiples* If the comparative multiple applied in the valuation had been 5% lower than management have estimated and all other assumptions in the table above unchanged, the headroom would Ksh 166 million lower. If the comparative multiple applied in the valuation had been 5% higher than management have estimated and all other assumptions in the table above unchanged, the headroom would Ksh 166 million higher. *2. Control premium* A control premium of 20% has been used for purposes for determining the fair value. If the premium used was 10% lower, the headroom would have been Ksh 55 million higher.
Longhorn Publishers Limited	Method Used to determine recoverable amount: Fair value less cost to sell The fair value of the entity was determined using the quoted share price as the company is listed on the Nairobi Securities Exchange *Significant estimate: Impact of possible changes in key assumptions:* *Share price* If the share price had been 5% lower and all inputs remain unchanged, the market value would have been Ksh 52 million lower. If the share price had been 5% higher and all inputs remain unchanged, the market value would have been Ksh 52 million higher

8 Non financial assets (continued)

8.2 Intangible assets (continued)

Based on the above assumptions, the recoverable value exceeded the carrying net asset amount (including the goodwill) of alll the CGU's as analysed below:

At 31 March 2019

Cash generating unit	Carrying amount + goodwill Ksh'000	Recoverable amount (Fair value) Ksh'000	Carrying value Ksh'000	Headroom Ksh'000
Almasi Beverages Limited	5,610,098	9,851,141	9,851,141	4,241,043
Sidian Bank Limited	4,107,910	3,314,669	3,314,669	(793,241)
Longhorn Publishers Limited	914,985	1,039,849	1,039,849	124,864
	10,632,994	14,205,660	14,205,660	3,572,666

At 31 March 2018

Cash generating unit	Carrying amount + goodwill Ksh'000	Recoverable amount (Fair value) Ksh'000	Carrying value Ksh'000	Headroom Ksh'000
Almasi Beverages Limited	5,404,659	8,696,825	8,696,825	3,292,165
Sidian Bank Limited	3,643,972	3,891,091	3,891,091	247,119
GenAfrica Investment Management Limited	1,242,006	2,324,230	2,324,230	1,082,224
Longhorn Publishers Limited	908,269	1,023,397	762,665	115,127
	11,198,907	15,935,542	15,674,811	4,736,636

The directors are satisfied that there is no impairment of goodwill for Almasi Beverages Limited and Longhorn Publishers Limited based on a comparison of the recoverable amounts and the carrying amount (including goodwill) of the subsidiaries, taking into account all possible ranges of estimates of the fair values of the investments.

The directors have considered and assessed reasonably possible changes for the key assumptions in relation to the other investments and have not identified any instances that could cause the carrying amount (including the related goodwill) to exceed the recoverable amount of Almasi Beverages Limited and Longhorn Publishers Limited.

The directors have determined that the carrying amount for Sidian Bank Limited exceeds its recoverable amount. Accordingly, they have recorded an impairment of goodwill relating to the subsidiary of KES 793,241,000. Goodwill impairment has been disclosed under operating expenses (Note 2.3.1(b)). The bank recorded a lower valuation in the current period due to a tough operating environment characterized by interest rate capping regulation that led to subdued interest income and depressed comparative market multiples.

8 Non financial assets (continued)

8.3 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments, the right to use an asset for an agreed period of time. When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

	Group	
	2019	**2018**
	Ksh'000	**Ksh'000**
Finance lease receivable	46,817	4,974

The finance lease receivables relate to Zohari Leasing Limited which is the lessor.

The maturity of the lease receivable is as below:

	Group	
	2019	**2018**
	Ksh'000	**Ksh'000**
Non current:		
Gross finance lease receivable	59,964	3,697
Unearned finance income	(16,625)	(655)
	43,339	3,042
Current:		
Gross finance lease receivable	4,438	2,984
Unearned finance income	(960)	(1,052)
	3,478	1,932
	46,817	**4,974**
Gross receivable from finance lease:		
- No later than 1 year	4,438	2,984
- Later than 1 year no later than 5 years	59,964	3,697
- Later than 5 years	-	-
	64,402	6,681
Unearned future finance income on finance lease	(17,585)	(1,707)
	46,817	4,974

8 Non financial assets continued

8.4 Prepaid operating lease rentals

Payments to acquire leasehold interests in land used by Almasi Beverages Limited are treated as prepaid operating lease rentals and amortised over the period of the lease.

	Group	
	2019	2018
	Ksh'000	Ksh'000
Cost:		
At start of year	47,118	47,118
Additions	13,725	-
At end of year	60,843	47,118
Amortisation:		
At start of year	(2,637)	(2,321)
Charge for the year	(523)	(316)
At end of year	(3,160)	(2,637)
Net book amount	57,683	44,481

8.5 Assets classified as held for sale

Non-current assets (or disposal Groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal Group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal Group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the noncurrent asset (or disposal Group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal Group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal Group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal Group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal Group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

8 Non financial assets continued

8.5 Assets classified as held for sale (continued)

	2019	2018
Group	**Ksh'000**	**Ksh'000**
Non current assets held for sale:		
- Land and buildings	-	280,000
GenAfrica Asset Managers Limited		
- Assets	-	1,544,905
- Total assets	-	1,824,905
- Total liabilities	-	(203,058)
Net assets	-	1,621,847
Company		
Investment in subsidiary:		
GenAfrica Asset Managers Limited	-	2,324,230
	-	2,324,230

On 20 March 2018, the Group announced its intention to partially exit the asset management business and initiated an active program to locate a buyer for its subsidiary. The following assets and liabilities have been reclassified as held for sale:

		2019	2018
		Ksh'000	**Ksh'000**
Intangible assets - software	8.2	-	57,640
Intangible assets - goodwill	8.2	-	967,210
Equipment		-	18,793
Receivables, prepayments and other assets	4.2	-	299,059
Cash and cash equivalent	4.3	-	202,203
Total assets		**-**	**1,544,905**
Payables and accrued expenses	4.4	-	(183,446)
Current income tax payable	3.1	-	(18,729)
Deferred tax liabilities		-	(883)
Total liabilities		**-**	**(203,058)**
Net assets		**-**	**1,341,847**

9 Financing structure and commitments

9.1 Borrowings

Borrowings are accounted for as financial liabilities in accordance with the accounting policy disclosed under note 10.1.

Fees paid on the establishment of loan facilities are recognised as transaction costs and capitalised to the extent that it is probable that some or all of the facility will be drawn down. When the draw down is made, the transaction costs are amortised to profit or loss using the effective interest method. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is expensed as incurred.

	Group		Company	
	2019	2018	2019	2018
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Unsecured:				
Term loans	1,745,679	445,060	-	-
Commercial Paper and Loan Notes	2,804,982	1,127,784	-	-
Corporate bonds	6,367,318	6,405,286	6,367,318	6,405,286
	10,917,979	**7,978,130**	**6,367,318**	**6,405,286**
Secured:				
Bank borrowings	15,226,397	13,707,255	9,777,477	8,437,345
Short term borrowings	726,585	2,778,183	-	-
	15,952,982	**16,485,438**	**9,777,477**	**8,437,345**
Total borrowings	**26,870,961**	**24,463,568**	**16,144,795**	**14,842,631**
Analysed as follows:				
Banking subsidiary	2,467,698	3,209,313	-	-
Other	24,403,263	21,254,255	16,144,795	14,842,631
	26,870,961	**24,463,568**	**16,144,795**	**14,842,631**
The classification of the Group's borrowings is as follows:				
Current	5,674,090	5,959,928	2,142,523	1,947,576
Non current	21,196,871	18,503,640	14,002,272	12,895,055
	26,870,961	**24,463,568**	**16,144,795**	**14,842,631**
Kenya Shillings	15,898,600	15,705,973	8,624,709	9,043,917
United States Dollars	10,756,330	8,498,491	7,520,086	5,798,714
Euro	216,031	259,104	-	-
	26,870,961	**24,463,568**	**16,144,795**	**14,842,631**
The Group has the following undrawn committed facilities:				
Oiko Credit	300,000	-	-	-
Kenya Commercial Bank Limited	57,043	-	-	-
The Co-Operative Bank of Kenya Limited	-	28,955	-	28,955
Stanbic Bank Kenya Limited	1,857,477	23,469	1,857,477	23,469
	2,214,520	52,424	1,857,477	52,424

9 Financing structure and commitments (continued)

9.1 Borrowings (continued)

a) Term loans and loan notes

	Group		Company	
	2019	**2018**	**2019**	**2018**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**
Oiko Credit	154,307	235,022	-	-
Pamiga Finance SA	209,550	210,038	-	-
East Africa Development Bank	170,847	-	-	-
Investment Fund for Developing Countries (IFU)	1,210,975	-	-	-
Total term loans	**1,745,679**	**445,060**	-	-

The Term Loans above are held by Sidian Bank Limited. The movement in the Term Loans is as follows:

	Group 2019	Group 2018	Company 2019	Company 2018
At start of year	445,060	508,644	-	-
Received during the year	1,419,485	200,000	-	-
Revaluation gain	(3,100)	4,701	-	-
Accrued interest	13,918	60,759	-	-
Repayments during the year	(129,684)	(329,044)	-	-
At end of year	**1,745,679**	**445,060**	-	-

Oiko Credit

The loan accrues interest based on the 182 day Treasury Bill plus a margin of 1.25% subject to a minimum rate of 10% per annum. Interest is payable semi-annually with four equal annual instalments of the principal of Shs 75 million. The loan is unsecured.

Pamiga Finance SA

The loan is a USD 2 million facility that was received on 30 July 2017 at a rate of 4.25% per annum. The first principal instalment is payable after a grace period of two years over a period of three years. Interest is payable semi-annually. The loan is unsecured.

East Africa Development Bank (EADB)

The EADB loan of of Euro 2 million is being issued in tranches in Kenya Shillings. The first tranche of Ksh 57.89 million (equivalent to Euro 500,000) was received on 28 December 2018. The second tranche of Ksh 112.9 million (equivalent to Euro 1,000,000) was received on 7 March 2019. It accrues interest at a rate of 8.5% . The interest is payable semi-annually. The loan will be paid in 14 equal semi-annual instalments of equivalent Euro 142,857 after 12 months grace period from the date of first drawdown. The loan is secured by a Treasury Bond investment of Ksh 256 million.

Investment Fund for Developing Countries

The IFU loan of USD 12 million was received in March 2019. The loan has a tenor of 6 years and a conversion option within the first three years. Under the conversion option, IFU have the option to convert the loan into Ordinary shares. If IFU do not convert the loan into ordinary shares within the first 3 years, then the loan principal and outstanding interest is repayable at the end of year six plus 25% of the the higher of (i) the Bank's profit before tax in the sixth year; or :(ii) the Bank's average profit before tax in the fifth and sixth year. The Group treats this as a compound instrument. The equity instrument in the loan is considered insignificant. The loan is unsecured.

9 Financing structure and commitments (continued)

9.1 Borrowings (continued)

b) Commercial Papers and Loan Notes

Commercial Papers and Loan Notes are issued by the following entities to private investors:

	Group		Company	
	2019	2018	2019	2018
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Two Rivers Development Limited	2,565,813	930,689	-	-
Longhorn Publishers Limited	239,169	197,095	-	-
	2,804,982	**1,127,784**	**-**	**-**

The Commercial Papers and Loan Notes are unsecured debt obligations and have fixed repayment maturity dates. The Two Rivers Development Limited Loan Notes earn interest at rates of 17% to 19% while the Longhorn Publishers Limited Commercial Papers earn interest at a rate of 16%.

c) Bank borrowings

	Group		Company	
	2019	2018	2019	2018
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Kenya Commercial Bank Limited	226,883	128,551	-	-
The Co-operative Bank of Kenya Limited	-	1,471,045	-	1,471,045
FirstRand Bank Limited (through its Rand Merchant Bank Division)	7,635,619	5,086,563	7,635,619	5,086,563
Coca Cola Export Corporation	851,072	1,341,167	-	-
Stanbic Bank Kenya Limited	5,639,322	4,808,929	2,141,859	1,879,737
SBM Bank (Kenya) Limited	387,140	513,396	-	-
Commercial Bank of Africa Limited	216,031	259,104	-	-
Standard Chartered Bank Kenya Limited	270,330	97,983	-	-
Barclays Bank of Kenya Limited	-	517	-	-
	15,226,397	**13,707,255**	**9,777,477**	**8,437,345**

9 Financing structure and commitments (continued)

9.1 Borrowings (continued)

c) Bank borrowings (continued)

Movement in bank borrowings is as follows:

	Group		Company	
	2019	2018	2019	2018
Movement in bank borrowings is as follows:	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At start of year	13,707,255	6,553,875	8,437,345	4,100,416
Received during the year	4,217,921	11,000,155	3,522,948	7,537,497
Revaluation gain/(loss)	(47,482)	(275,121)	(45,951)	(231,991)
Accrued interest	509,215	139,504	202,311	114,823
	(3,160,512)	(3,711,158)	(2,339,176)	(3,083,400)
At end of year	**15,226,397**	**13,707,255**	**9,777,477**	**8,437,345**

Kenya Commercial Bank Limited

Ksh 218.3 million of the Kenya Commercial Bank Limited loan was advanced to Almasi Beverages 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. Ksh 8.5 million of the Kenya Commercial Bank Limited loan was advanced to Law Africa Limited, a subsidiary of Longhorn Publishers Limited to finance working capital requirements. It attracts interest at Central Bank Reference Rate (CBRR) plus 4% .

Coca Cola Export Corporation

The loan from Coca Cola Export Corporation was availed to Almasi Beverages Limited to buy crates and bottles. The total loan availed was US$ 2,300,000. The loan is unsecured and interest is determined based on LIBOR plus 3% per annum. The effective interest rate as at 31 March 2019 was 5.8% (2018: 4.31%).

SBM Bank (Kenya) Limited

	Group		Company	
	2019	2018	2019	2018
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Two Rivers Development Limited	344,208	458,837	-	-
Longhorn Publishers Limited	42,932	54,559	-	-
	387,140	**513,396**	-	-

1. Two Rivers Development Limited
The loan was advanced for infrastructure development. The US Dollar denominated loan attracts interest at 8.5% and matures in 2027.

2. Longhorn Publishers Limited
The Company has an asset financing facility with the bank for acquisition of vehicles. The loan is secured by the Company vehicles and attracts interest at 14%. The loan tenor is 60 months.

First Rand Bank Limited

Centum Investment Company Plc has a USD 75,000,000 term loan facility with FirstRand Bank Limited through its Rand Merchant Bank Division. The facility is priced at an interest rate of 5.7% plus 3 months US LIBOR per annum and is secured by a charge over the Company's shares in Nairobi Bottlers Limited, Almasi Beverages Limited and Zohari Leasing Limited.

Standard Chartered Bank Kenya Limited

The facility was advanced to Longhorn Publishers Limited for working capital financing and is secured by the Company's buildings. The loan attacts interest at Central Bank Reference Rate (CBRR) plus 4% and matures over 12 months.

Commercial Bank of Africa Limited

The facility is a EUR 2,181,991 loan advanced to Two Rivers Power Company Limited to finance the installation of solar equipment at the Two Rivers development in 2017. The loan is priced at 3% plus 3 months Euribor and has a tenor of 120 months.

9 Financing structure and commitments (continued)

9.1 Borrowings (continued)

c) Bank borrowings (continued)

Stanbic Bank Kenya Limited

	Group		Company	
	2019	**2018**	**2019**	**2018**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**
Centum Investment Company Plc	2,141,859	1,879,737	2,141,859	1,879,737
Two Rivers Development Limited	2,997,618	2,929,192	-	-
Two Rivers Theme Park Limited	499,845	-	-	-
	5,639,322	**4,808,929**	**2,141,859**	**1,879,737**

1. Centum Investment Company Plc

Centum Investment Company Plc has an overdraft facility of USD 10,000,000 and a revolving credit facility of USD 30,000,000 with Stanbic Bank Kenya Limited. Both facilities are equally split between Kenya Shillings (KES) and United States Dollars (USD). The KES facilities are priced at Central Bank Rate (CBR) plus 3.65% while the USD facilities are priced at 3 months LIBOR plus 5.5%. The facilities are secured by a charge over the Company's shares in Isuzu East Africa Limited, Vipingo Development Limited and NAS Servair Limited.

2. Two Rivers Development Limited

Stanbic Bank Kenya Limited advanced a term loan facility of USD 29,000,000 to Two Rivers Development Limited for infrastructure development. The facility is equally split between Kenya Shillings (KES) and United States Dollars (USD). The KES facilities are priced at Central Bank Rate (CBR) plus 4% while the USD facilities are priced at 3 months LIBOR plus 5.53%. The facility is secured by a charge over the Company's shares in Two Rivers Lifestyle Centre Limited and vacant land owned by the Company.

3. Two Rivers Theme Park Limited

Stanbic Bank Kenya Limited advanced a term loan facility of Ksh 510 million to Two Rivers Theme Park Limited to finance installation of recreational equipment. The loan attracts interest at the Central Bank Reference Rate (CBRR) plus 4% margin per annum. The facility is secured by a charge over vacant land owned by Two Rivers Development Limited.

d) Corporate bonds

	Group and Company	
	2019	**2018**
	Ksh'000	**Ksh'000**
At start of year	6,405,286	10,555,710
Accrued interest	746,306	227,687
Amortisation of bond issue costs	(84,200)	(64,606)
Additional accrued interest on Equity linked note	42,015	42,015
Repayments during the year	(742,089)	(4,355,520)
	6,367,318	6,405,286

The outstanding bond was issued in 2015. The bond is a 5 year, Ksh 6,000,000,000 bond. It comprises of fixed rate notes of Ksh 3,899,226,700 at an interest rate of 13% and a variable component of Ksh 2,100,773,300 at a 12.5% fixed rate and an additional amount payable at redemption date based on the movement in the Company's Net Asset Value. The maximum upside is 10% of the face value of the bond.

The carrying amounts of borrowings approximate to their fair value.

9 Financing structure and commitments (continued)

9.1 Borrowings (continued)

e) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Group		Company	
	2019	2018	2019	2018
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Call deposits and bank balances	5,393,271	6,022,022	252,752	1,077,666
Liquid investments*	1,561,164	1,738,828	52,578	98,134
Borrowings - repayable within one year (including overdraft)	(5,674,090)	(5,959,928)	(2,142,523)	(1,947,576)
Borrowings - repayable after one year	(21,196,871)	(18,503,640)	(14,002,272)	(12,895,055)
Net debt	(19,916,526)	(16,702,718)	(15,839,465)	(13,666,831)

Group	Cash and cash equivalent	Liquid investments*	Borrowings due within 1 year	Borrowings due after 1 year	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Net debt at 1 April 2018	6,022,022	1,738,828	(5,959,928)	(18,503,640)	(16,702,718)
Cashflows	(628,751)	539,465	285,838	(2,347,210)	(2,150,658)
Foreign exchange adjustments	-	532	-	47,482	48,014
Other non cash movements	-	(717,661)	-	(393,503)	(1,111,164)
Net debt at 31 March 2019	**5,393,271**	**1,561,164**	**(5,674,090)**	**(21,196,871)**	**(19,916,526)**

*Liquid investments comprise current investments that are traded in an active market, being the Group's financial assets held at fair value through profit or loss.

	Cash and cash equivalent	Liquid investments*	Borrowings due within 1 year	Borrowings due after 1 year	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Net debt at 1 April 2017	5,638,783	1,223,152	(12,452,772)	(8,533,606)	(14,124,443)
Cashflows	383,239	(36,487)	6,492,844	(9,665,636)	(2,826,040)
Foreign exchange adjustments	-	1,963	-	275,121	277,084
Other non cash movements	-	550,200	-	(579,519)	(29,319)
Net debt at 31 March 2018	**6,022,022**	**1,738,828**	**(5,959,928)**	**(18,503,640)**	**(16,702,718)**

9 Financing structure and commitments (continued)

9.1 Borrowings (continued)

e) Net debt reconciliation (continued)

Company	Cash and cash equivalent	Liquid investments*	Borrowings due within 1 year	Borrowings due after 1 year	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Net debt at 1 April 2018	1,077,666	98,134	(1,947,577)	(12,895,054)	(13,666,831)
Cashflows	(824,914)	-	1,839,179	(2,243,622)	(1,229,357)
Foreign exchange adjustments	-	-	-	(45,951)	(45,951)
Other non cash movements	-	(45,556)	-	(851,770)	(897,326)
Net debt at 31 March 2019	252,752	52,578	(108,398)	(16,036,396)	(15,839,464)
Net debt at 1 April 2017	2,447,072	99,957	(8,572,095)	(6,084,031)	(12,109,097)
Cashflows	(1,369,406)	19,565	7,438,920	(7,537,497)	(1,448,418)
Foreign exchange adjustments	-	-	-	(231,991)	(231,991)
Other non cash movements	-	(21,388)	(814,402)	958,465	122,675
Net debt at 31 March 2018	1,077,666	98,134	(1,947,577)	(12,895,054)	(13,666,831)

9.2 Capital commitments

No capital expenditure contracted for at the reporting date but not recognised in the financial statements.

9.3 Contingent liabilities

The Group does not recognise contingent liabilities in the statement of financial position until future events indicate that it is probable that an outflow of resources will take place and a reliable estimate can be made, at which time a provision is recorded.

a) Litigations

On 26 October 2012, the bottling companies in Kenya 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	
	2019	2018
	Ksh'000	Ksh'000
Letters of credit and performance bonds	17,112,220	6,667,984

10 Financial risk

10.1 Financial risk management and financial instruments

Financial instruments by category

a) Financial assets

	Group			Company		
	At fair value through profit or loss	At fair value through other comprehensive income	At amortised cost	At fair value through profit or loss	At fair value through other comprehensive income	At amortised cost
At 31 March 2019	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
Government securities	735,319		2,598,122	-	-	-
Corporate bonds and commercial papers	-		106,082	-	-	-
Loans and advances	-	-	13,188,526	-	-	-
Finance lease receivables	-	-	46,817	-	-	-
Call deposits	-	-	1,752,703	-	-	204,950
Bank balances	-	-	3,640,568	-	-	47,802
Trade and other receivables	-	-	7,324,506	-	-	693,448
Shareholder loans advanced to subsidiaries	-	-	-	-	-	15,696,348
Quoted investments	-	1,561,164	-	-	52,578	-
Unquoted investments	-	4,146,239	-	-	3,619,410	-
Non financial assets						
Investment in subsidiaries	-	-	-	-	42,156,542	-
Investment in associates	-	-	-	-	6,915,641	-
Investment in joint ventures	-	-	-	-	2,097,549	-
	735,319	5,707,403	28,657,323	-	54,841,720	16,642,548
At 31 March 2018						
Government securities	401,555	3,151,296	-	-	-	-
Corporate bonds	-	503,576	-	-	-	-
Loans and advances	-	-	11,772,121	-	-	-
Finance lease receivables	-	-	4,974	-	-	-
Call deposits	-	-	978,786	-	-	820,950
Bank balances	-	-	5,043,236	-	-	256,716
Trade and other receivables	-	-	5,197,310	-	-	542,579
Shareholder loans advanced to subsidiaries	-	-	-	-	-	13,385,790
Unquoted investments	-	1,738,828	-	-	98,134	-
Quoted investments	-	4,362,975	-	-	3,886,780	-
Non financial assets						
Investment in subsidiaries	-	-	-	-	39,413,960	-
Investment in associates	-	-	-	-	5,081,473	-
Investment in joint ventures	-	-	-	-	2,099,631	-
	401,555	9,756,675	22,996,427	-	50,579,978	15,006,035

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

b) Financial liabilities

All the Group's financial liabilities are measured at amortised cost. The carrying value of the Group's and the Company's financial liabilities at the end of 2019 and 2018 are shown under respective notes.

Risk management framework

Introduction

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

a) Market risk - currency risk, interest rate risk and price risk;

b) Credit risk; and

c) Liquidity risk.

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

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

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

Accordingly, the Group's approach to risk management is intended to increase risk awareness and understanding, and thus support taking risks where appropriate, in a structured and controlled manner. The Group recognises that in pursuit of its mission and investment objectives it may choose to accept a lower level of reward in order to mitigate the potential hazard of the risks involved.

To assist in implementing its risk management policy, the Group has:

- Identified, analysed and produced a risk management strategy for those risks which might inhibit it from achieving its strategic objectives and which would threaten its ongoing survival as a leading investment Company;
- Raised awareness of and integrated risk management into its management policies.
- Promoted an understanding of the importance and value of risk management, particularly associated with investment opportunities; and
- Established risk management roles responsibilities for its board of directors, audit risk committee and the risk department.

The risk management function is supervised by the Board Audit Committee. Management identifies, evaluates and manages financial risks under policies approved by the Board of Directors. The board provides written principles for overall risk management, as well as written policies covering specific areas such as price risk, foreign exchange risk, interest rate risk, credit risk. and investing excess liquidity .

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

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

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.

At 31 March 2019, Group and Company held deposits of Kshs 5,640,188,000 and Kshs 252,752,000 respectively (2018: Kshs 6,015,894,000 and Kshs 1,077,666,000 respectively) and the Company had unutilised bank credit facilities of Kshs 1,881,901,000 (2018: Kshs 52,424,000).

At 31 March 2019, a 5% increase/decrease of the annual interest rate would have resulted in an increase/decrease in pre-tax profit and equity of Kshs 174 million (2018: Kshs 117 million) for Group and Ksh 85 million (2018: Ksh 82 million) for Company respectively as a result of exposures in bank deposits and borrowings.

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

ii) Price risk

The Group's private equity holdings are valued in accordance with International Private Equity and Venture Capital guidelines, which set out the valuation methodology for fair valuation. Valuation is relatively subjective and may change from time to time. In addition the valuation is also affected by the volatility of the stock prices since the Group uses the earnings multiple method which entails the use of the share prices of similar/comparable quoted companies among other components. Valuation risks are mitigated by comprehensive quarterly reviews of the underlying investments by management every quarter. The appropriateness of the investment valuations are then considered by the Board Audit Committee.

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

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

a) Market risk (continued)

ii) Price risk (continued)

At 31 March 2019, 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 77,990,630 (2018: Kshs 86,938,806) and Kshs 2,628,947 (2018: Kshs 4,906,759) higher/lower respectively.

iii) Investment holding period risk

88% and 98% (2018: 91% and 99%) of the Group and Company's investments respectively are not traded on any formal exchange. Disposal of these investments is constrained in many instances by pre-emptive rights, shareholder agreements and the absence of willing trade buyers or an active secondary market. The timing of realised proceeds on disposal may pose a risk to the Group.

The Group/Company mitigates this risk by seeking influence in the investee company's operations through large shareholding or board representation. The Group/Company also seeks compensation for this risk through high return hurdles during the investment appraisal and laying emphasis on dividend generating potential. However, the Group/Company has no fixed time horizon for its investments, and does not enforce exit options on investments as it believes current practice makes it easier to acquire attractive investments.

iv) Concentration risk

82% (2018: 82%) of the Group's assets are located in Kenya with 16% (2018: 16%) in the wider East African Region and 1% (2018: 2%) outside East Africa.

Investment portfolio sectoral allocation

The allocation of Centum's investments to the different sectors is as disclosed in note 2.

Each investment asset is considered independently by the Board's Investment Committee and the Board of Directors according to a structured process that includes extensive due diligence, industry analysis, consideration of existing assets and future capital commitments. Whereas sector limits are in place, concentration in the financial, beverages and industrial and allied sectors have mainly been brought about by organic growth and appreciation of market value.

To reduce exposure to country risk the Group is actively looking for regional investment opportunities.

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

a) Market risk (continued)

v) Foreign exchange risk

Currency risk is the exposure to exchange rate fluctuations that have an impact on cash flows and financing activities.

The Group operates internationally and is exposed to currency risk arising from various currency exposures. Refer to the table below for the Group's exposure to foreign currency risk based on notional amounts. Currency risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group is also exposed to translation risk as holding companies do not report in the same currencies as operating entities.

The Group has foreign subsidiaries whose assets are exposed to foreign currency translation risk, which is managed primarily through borrowings denominated in the relevant foreign currencies to the extent that such funding is available on reasonable terms in the local capital markets.

The Group's exposure to fluctuations in the foreign currency rates relate to conversion rates for valuation of overseas holdings.

The mean exchange rates ruling at 31 March 2019 and 31 March 2018 were:

	2019	2018
	Ksh'000	Ksh'000
1 US dollar (USD)	100.75	100.85
1 Euro (Eur)	113.04	124.74
1 British pound (GBP)	131.85	142.31
1 Ugandan shilling (UGX)	0.03	0.03
1 Tanzania shilling (Tshs)	0.04	0.04
1 Ghana cedi (Ghc)	19.07	22.69

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

a) Market risk (continued)

v) Foreign exchange risk

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

	Group		Company	
	2019	2018	2019	2018
Financial assets	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Quoted investments (GHC)	-	172,763	-	-
Quoted investment (CFA Franc)	-	50,726	-	-
Quoted investment (EGP)	-	292,110	-	-
Balances due from banks (USD)	255,651	2,564,275	-	-
Balances due from banks (EUR)	71,610	531,370	-	-
Balances due from banks (GBP)	-	6,019	-	-
Balances due from banks (ZAR)	-	688	-	-
Balances due from banks (UGX)	-	514	-	-
Balances due from banks (TSHS)	-	68	-	-
Cash and equivalents (USD)	54,680	209,024	-	158,318
Cash and equivalents (EUS)	33,395	35,831	-	-
Cash and equivalents (GBP)	9,801	6,398	-	-
Loans and advances (USD)	1,099,071	-	-	-
Loans and advances (EUR)	28,010	-	-	-
	1,552,218	3,354,188	-	158,318
Financial liabilities				
Customer deposits (USD)	1,000,224	1,341,127	-	-
Customer deposits (EUR)	141,199	65,219	-	-
Customer deposits (GBP)	1,152	561	-	-
Borrowings (USD)	10,756,329	8,498,491	-	-
Borrowings (EUR)	-	-	-	-
	11,898,905	**9,905,398**	**-**	**-**

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

a) Market risk (continued)

v) Foreign exchange risk (continued)

	Group		Company	
	2019	**2018**	**2019**	**2018**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**
1 US dollar (USD)	(572,311)	(353,316)	-	7,916
1 Euro (EUR)	(1,810)	25,099	-	-
1 British pound (GBP)	432	593	-	-
1 Eqyptian pound (EGP)	-	31,216	-	-
1 Ghana cedi (GHC)	-	26,825	-	-
	(573,688)	**(269,583)**	**-**	**7,916**

b) Liquidity risk

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

The Group manages liquidity risk by:

- maintaining adequate cash reserves and banking facilities on the Parent company and operating subsidiaries' balance sheets;
- holding cash, near cash assets and other fixed income marketable securities in two special purpose liquidity vehicles (Centum Exotics Limited and Oleibon Investments Limited); and
- continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk also relates to the risk that the Group would miss out attractive investment opportunities due to lack of funding. This risk is mitigated by the fact that the available for sale quoted investments can be converted to cash when funds are required. The risk is also minimised by use of annually renewable credit facilities.

The Group has developed internal control processes and contingency plans for managing liquidity risk including maturity gaps that incorporates an assessment of expected cash flows. The Group maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow.

At 31 March 2019, over 12% (2018: over 12%) of the Group's assets were held in quoted securities which are quickly convertible to cash. The Group also had Kshs 1,881,901,351 (2018: Kshs 52,424,300) unutilised credit facility (Note 9.1).

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management (continued)
b) Liquidity risk (continued)

Group

At 31 March 2019	Up to 1 month	1-3 months	3-12 months	1-3 years	3-5 years	Over 5 years	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Financial assets							
Investment in associates	-	-	-	-	3,429	-	3,429
Investment in joint ventures	-	-	-	-	7,065,230	-	7,065,230
Unquoted equity investments	-	-	-	-	4,146,239	-	4,146,239
Quoted investments	-	-	-	1,561,164	-		1,561,164
Loans and advances	1,650,232	588,496	802,486	5,112,319	3,061,063	1,973,932	13,188,526
Finance lease receivable	-	-	4,438	42,379	-	-	46,817
Government securities at fair value through profit and loss	608,842	-	-	-	-	126,477	735,319
Government securities at amortised cost	449,115	148,615	213,228	-	-	1,787,165	2,598,123
Corporate bonds at amortised cost	-	-	-	-	106,082	-	106,082
Receivables and prepayments	-	19,500,000	3,913,008	702,076	-	2,306,482	26,421,566
Cash and cash equivalent	3,343,817	1,752,703	286,666	10,085	-	-	5,393,271
	6,052,005	21,989,813	5,219,826	5,866,858	3,167,145	6,194,056	61,265,766
Financial liabilities							
Customer deposits	10,919,767	2,499,613	1,397,304	-	-	-	14,816,684
Borrowings	899,974	-	4,534,948	396,184	199,550	1,208,434	7,239,089
Other liabilities and accrued expenses	840,667	924,132	3,536,064	-	-	-	5,300,863
Unclaimed dividends	-	211,675	-	-	-	-	211,675
	12,660,408	3,635,420	9,468,316	396,184	199,550	1,208,434	27,568,311
Financial guarantees	-	4,452,857	7,626,298	5,023,066	10,000	-	17,112,220
Net liquidity	(6,608,403)	13,901,536	(11,874,788)	447,608	2,957,595	4,985,622	16,585,235

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management (continued)
b) Liquidity risk (continued)

Group

At 31 March 2018	Up to 1 month	1-3 months	3-12 months	1-3 years	3-5 years	Over 5 years	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Financial assets							
Investment in associates	-	-	-	-	2,745,989	-	2,745,989
Investment in joint ventures	-	-	-	-	9,797,800	-	9,797,800
Unquoted equity investments	-	-	-	-	4,362,975	-	4,362,975
Quoted investments	-	-	-	1,738,828	-		1,738,828
Loans and advances	509,172	459,126	657,781	4,329,624	3,741,389	2,075,029	11,772,121
Finance lease receivable	-	-	2,984	1,990	-	-	4,974
Government securities at fair value through profit and loss	-	296,230	-	-	-	105,325	401,555
Government securities at amortised cost	-	-	1,459,609	-	-	2,051,569	3,511,178
Corporate bonds at amortised cost	-	-	-	37,704	105,990	-	143,694
Receivables and prepayments	-	1,164,894	5,166,577	700,394	-	670,326	7,702,191
Cash and cash equivalent	4,305,176	978,786	373,778	162,079	-	-	5,819,819
	4,814,348	2,899,036	7,660,729	5,231,791	3,847,379	4,902,249	48,001,124
Financial liabilities							
Customer deposits	3,647,736	8,245,109	939,550	-	-	-	12,832,395
Borrowings	2,390,091	372,273	1,874,632	12,951,890	206,698	-	17,795,584
Other liabilities and accrued expenses	1,250,643	1,058,699	2,667,786	315,802	-	-	5,292,930
Unclaimed dividends	-	154,139	-	-	-	-	154,139
	7,288,470	9,830,220	5,481,968	13,267,692	206,698	-	36,075,048
Financial guarantees	-	1,142,797	1,955,630	3,566,217	3,340	-	6,667,984
Net liquidity	(2,474,122)	(8,073,981)	223,131	(11,602,118)	3,637,341	4,902,249	5,258,092

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management (continued)
b) Liquidity risk (continued)

Company

At 31 March 2019	Up to 1 month Ksh'000	1-3 months Ksh'000	3-12 months Ksh'000	1-3 years Ksh'000	3-5 years Ksh'000	Over 5 years Ksh'000	Total Ksh'000
Financial assets							
Investment in subsidiaries	-	-	23,092,583	4,196,348	22,407,623	9,897,778	59,594,332
Investment in associates	-	-	7,907,417	-	3,429	-	7,910,846
Investment in joint ventures	-	-	-	-	2,097,549	-	2,097,549
Unquoted equity investments	-	-	-	-	3,619,410	-	3,619,410
Quoted investments	-	-	-	52,578	-	-	52,578
Receivables and prepayments	394,689	-	330,815	-	-	-	725,504
Cash and cash equivalents	47,802	204,950	-	-	-	-	252,752
	442,492	204,950	31,330,815	4,248,926	28,128,011	9,897,778	74,252,971
Financial liabilities							
Payables and accruals	50,480	15,876	-	118,018	-	-	184,374
Due to subsidiary companies	-	351,078	-	-	-	-	351,078
Borrowings	-	-	2,142,523	14,002,272	-	-	16,144,795
Unclaimed dividends	-	211,675	-	-	-	-	211,675
	50,480	578,629	2,142,523	14,120,290	-	-	16,891,922
Net liquidity	392,012	(373,680)	29,188,292	(9,871,364)	28,128,011	9,897,778	57,361,049

At 31 March 2018	Up to 1 month Ksh'000	1-3 months Ksh'000	3-12 months Ksh'000	1-3 years Ksh'000	3-5 years Ksh'000	Over 5 years Ksh'000	Total Ksh'000
Financial assets							
Investment in subisidiaries	-	2,324,230	-	-	-	37,089,731	39,413,961
Investment in associates	-	-	-	-	-	5,081,473	5,081,473
Investment in joint ventures	-	-	-	-	-	2,099,631	2,099,631
Unquoted investments	-	-	-	-	-	3,886,780	3,886,780
Quoted investments	-	-	-	-	-	98,134	98,134
Due from subsidiary companies	-	-	-	13,385,790	-	-	13,385,790
Receivables and prepayments	312,383	-	598,127	-	-	-	910,510
Cash and cash equivalents	256,716	820,950	-	-	-	-	1,077,666
	569,099	820,950	598,127	13,385,790	-	-	65,953,945
Financial liabilities							
Payables and accruals	88,361	14,625	-	133,900	-	-	236,886
Due to subsidiary companies	-	293,798	-	-	-	-	293,798
Borrowings	-	-	1,947,576	12,895,055	-	-	14,842,631
Unclaimed dividends	-	154,139	-	-	-	-	154,139
	88,361	462,562	1,947,576	13,028,955	-	-	15,527,454
Net liquidity	480,738	358,388	(1,349,449)	356,835	-	-	50,426,491

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

c) Credit risk and expected credit losses

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets, and is managed on a Group-wide basis.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution. The Group carries out its own assessment of credit risk before investing in corporate bonds, and updates such assessments at each reporting date.

Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by taking into account the financial position, past experience and other relevant factors. Credit is managed by setting a credit limit and credit period for each customer. The utilisation of the credit limits and the credit period is monitored by management on a monthly basis.

In assessing whether the credit risk on a financial asset has increased significantly, the Group compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the Group considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort. There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

For these purpose default is defined as having occurred if the debtor is in breach of contractual obligations, or if information is available internally or externally that suggests that the debtor is unlikely to be able to meet its obligations. However, there is a rebuttable assumption that that default does not occur later than when a financial asset is 90 days past due.

If the Group does not have reasonable and supportable information to identify significant increases in credit risk and/or to measure lifetime credit losses when there has been a significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are recognised on a collective basis. For such purposes, the Group Groups financial assets on the basis of shared credit risk characteristics, such as:

- type of instrument

- industry in which the debtor operates

- nature of collateral.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the following events:

- significant financial difficulty of the debtor

- a breach of contract

- it is probable that the debtor will enter bankruptcy

- the disappearance of an active market for the financial asset because of financial difficulties

The gross carrying amount of financial assets with exposure to credit risk at the balance sheet date was as follows:

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

c) Credit risk and expected credit losses (continued)

Group

Basis for measurement of loss allowance	12-month expected credit losses	Lifetime expected credit losses (see note below) (a)	(b)	(c)	Total
	Khs '000	Khs '000	Khs '000	Khs '000	Khs '000
At 31 March 2019					
Government securities	3,333,441	-	-	-	3,333,441
Corporate bonds and commercial papers	136,082	-	-	-	136,082
Loans and advances	11,361,859	614,689	2,477,466	-	14,454,015
Finance lease receivables	46,817	-	-	-	46,817
Call deposits	1,752,703	-	-	-	1,752,703
Bank balances	1,883,230	-	-	-	1,883,230
Trade and other receivables	-	-	-	5,619,173	5,619,173
Gross carrying amount	18,514,132	614,689	2,477,466	5,619,173	27,225,461
Loss allowance	-	-	-	(601,149)	(601,149)
Exposure to credit risk	18,514,132	614,689	2,477,466	5,018,024	26,624,312
At 31 March 2018					
Government securities	3,552,852	-	-	-	3,552,852
Corporate bonds and commercial papers	503,575	-	-	-	503,575
Loans and advances	9,417,583	821,040	2,600,953	-	12,839,576
Finance lease receivables	4,974	-	-	-	4,974
Call deposits	978,786	-	-	-	978,786
Bank balances	632,050	-	-	-	632,050
Trade and other receivables	-	-	-	5,079,934	5,079,934
Gross carrying amount	15,089,820	821,040	2,600,953	5,079,934	23,591,747
Loss allowance	-	-	-	(549,599)	(549,599)
Exposure to credit risk	15,089,820	821,040	2,600,953	4,530,335	23,042,148

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

c) Credit risk and expected credit losses (continued)

Company

Basis for measurement of loss allowance	12-month expected credit losses	Lifetime expected credit losses (see note below)			
		(a)	(b)	(c)	Total
	Khs '000	Khs '000	Khs '000	Khs '000	Khs '000
At 31 March 2019					
Call deposits	204,950	-	-	-	204,950
Bank balances	47,802	-	-	-	47,802
Trade and other receivables	-	-	-	693,448	693,448
Shareholder loans advanced to subsidiaries	15,696,348	-	-	-	15,696,348
Gross carrying amount	15,949,100	-	-	693,448	16,642,548
Loss allowance	-	-	-	-	-
Exposure to credit risk	15,949,100	-	-	693,448	16,642,548
		-	-		
At 31 March 2018					
Call deposits	820,950	-	-	-	820,950
Bank balances	256,716	-	-	-	256,716
Trade and other receivables	-	-	-	542,579	542,579
Shareholder loans advanced to subsidiaries	13,385,790	-	-	-	13,385,790
Gross carrying amount	14,463,456	-	-	542,579	15,006,035
Loss allowance	-	-	-	-	-
Exposure to credit risk	14,463,456	-	-	542,579	15,006,035

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

c) Credit risk and expected credit losses (continued)

The loss allowance at the end of each year relate to the following:

Group

Basis for measurement of loss allowance	12-month expected credit losses	Lifetime expected credit losses (see note below)			
		(a)	(b)	(c)	Total
	Khs '000	Khs '000	Khs '000	Khs '000	Khs '000
At 31 March 2019					
Loans and advances	11,361,859	614,689	2,477,466	-	14,454,015
Trade and other receivables	-	-	-	5,619,173	5,619,173
	11,361,859	614,689	2,477,466	5,619,173	20,073,188
At 31 March 2018					
Corporate bonds and commercial papers	-	-	-	-	-
Loans and advances	9,417,583	821,040	2,600,953	-	12,839,576
Trade and other receivables	-	-		5,079,934	5,079,934
Total	9,417,583	821,040	2,600,953	5,079,934	17,919,510

The Group does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due receivables

Financial assets for which the loss allowance has been measured at an amount equal to lifetime expected credit losses have been analysed above based on their credit risk ratings as follows:

(a) financial assets for which credit risk has increased significantly since initial recognition but that are not credit impaired;

(b) financial assets that are credit impaired at the balance sheet date;

(c) trade receivables, contract assets and lease receivables for which the loss allowance is always measured at an amount equal to lifetime expected credit losses, based, as a practical expedient, on provision matrices

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

d) Fair value hierarchy

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

Level 1

Quoted prices in active markets for identical assets or liabilities. This level includes equity securities and debt instruments listed on the Nairobi Securities Exchange.

Level 2

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly as prices or indirectly as derived from prices.

Level 3

Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible. The following table shows an analysis of financial instruments reflected at fair value by level of the fair value hierarchy.

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

d) Fair value hierarchy framework (continued)

Group	Level 1	Level 2	Level 3	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
31 March 2019				
Financial assets:				
Unquoted equity instruments	-	-	4,146,239	4,146,239
Quoted equity instruments	1,561,164	-	-	1,561,164
Government securities at fair value through profit and loss	-	735,319	-	735,319
	1,561,164	735,319	4,146,239	6,442,722
Non financial assets:				
Investment property	-	-	40,033,745	40,033,745
Property, Plant and equipment	-	-	1,748,521	1,748,521
	-	-	41,782,266	41,782,266
31 March 2018				
Financial assets:				
Unquoted equity instruments	-	-	4,362,975	4,362,975
Quoted equity instruments	1,738,828	-	-	1,738,828
Government securities at fair value through profit and loss	-	401,555	-	401,555
	1,738,828	401,555	4,362,975	6,503,358
Non financial assets:				
Investment property	-	-	32,718,667	32,718,667
Property, Plant and equipment	-	-	1,725,441	1,725,441
	-	-	34,444,108	34,444,108

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

d) Fair value hierarchy framework (continued)

The following summarises the carrying amount of those assets and liabilities not held at fair value. Except for held-to-maturity investment securities, the carrying amount of assets and liabilities held at amortised cost is considered to approximate their fair value where they have short tenor or, for long term facilities, earn/accrue interest at market rate.

31 March 2019	Carrying amount Ksh'000	Fair value Ksh'000	Level 1 Ksh'000	Level 2 Ksh'000	Level 3 Ksh'000
Financial assets					
Loans and advances	13,188,526	13,188,526	-	-	13,188,526
Finance lease receivable	46,817	46,817	-	-	46,817
Cash and cash equivalent	5,393,271	5,393,271	-	-	5,393,271
Other assets	7,413,599	7,413,599	-	-	7,413,599
	26,042,213	26,042,213	-	-	26,042,213
Financial liabilities					
Customer deposits	14,816,684	14,816,684	-	-	14,816,684
Borrowings	26,870,961	26,870,961	-	-	26,870,961
Dividend payable	211,675	211,675	-	-	211,675
Other liabilities	5,400,835	5,400,835	-	-	5,400,835
	47,300,155	47,300,155	-	-	47,300,155
31 March 2018					
Financial assets					
Loans and advances	11,772,121	11,772,121	-	-	11,772,121
Finance lease receivable	4,974	4,974	-	-	4,974
Cash and cash equivalent	5,819,819	5,819,819	-	-	5,819,819
Other assets	6,336,294	6,336,294	-	-	6,336,294
	23,933,208	23,933,208	-	-	23,933,208
Financial liabilities					
Customer deposits	12,832,395	12,832,395	-	-	12,832,395
Borrowings	24,463,568	24,463,568	-	-	24,463,568
Dividend payable	154,139	154,139	-	-	154,139
Other liabilities	5,115,389	5,115,389	-	-	5,115,389
	42,565,491	42,565,491	-	-	42,565,491
Reconciliation of level 3					
Loans and advances	7.1				
Finance lease receivable	8.3				
Cash and cash equivalent	4.3				

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

d) Fair value hierarchy (continued)

Company	**Level 1**	**Level 2**	**Level 2**	**Total**
31 March 2019	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
Financial assets				
Investment in subsidiaries	1,039,849	-	41,116,693	42,156,542
Debt investment in subsidiaries	-	-	15,696,348	15,696,348
Investment in associates	-	-	6,915,641	6,915,641
Investment in joint ventures	-	-	2,097,549	2,097,549
Unquoted equity instruments	-	-	3,619,410	3,619,410
Quoted equity instruments	52,578	-	-	52,578
	1,092,427	-	69,445,641	70,538,068
31 March 2018				
Financial assets				
Investment in subsidiaries	749,966	-	36,339,765	37,089,731
Debt investment in subsidiaries	-	-	13,385,790	13,385,790
Investment in associates	-	-	5,081,473	5,081,473
Investment in joint ventures	-	-	2,099,631	2,099,631
Unquoted equity instruments	-	-	3,886,780	3,886,780
Quoted equity instruments	98,134	-	-	98,134
	848,100	-	60,793,439	61,641,539

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

d) Fair value hierarchy (continued)

There were no transfers into or out of level 3 in 2019 and 2018. The following is a movement of financial assets classified under level 3.

	Group		Company	
	2019	**2018**	**2019**	**2018**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**
At start of year	4,024,112	4,226,166	48,075,590	43,793,862
Additions	185,982	263,727	(130,329)	335,915
Translation differences	-	-	(2,082)	(44,821)
Fair value (losses)/gains	(402,718)	(465,781)	4,284,500	3,990,634
At end of year	3,807,376	4,024,112	52,227,679	48,075,590
Total (losses)/gains on level 3 financial assets held at the end of the year as recognised in other comprehensive income	(402,718)	(465,781)	4,284,500	3,990,634

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**
5% change in market value	8,550	7,866	215,437	191,187

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management (continued)

e) Capital management

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for the shareholders and benefits for the other stakeholders; and
- To maintain a strong capital base to support the current and future development needs of the business.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is important and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by equity. Net debt is calculated as total borrowings less cash and cash equivalents.

During 2018, the Group's strategy, which was unchanged from 2017, was to maintain a gearing ratio within 20% to 50%. The gearing ratios at 31 March 2018 and 31 March 2017 were as follows:

	Group		Company	
	2019	2018	2019	2018
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Share capital	332,721	332,721	332,721	332,721
Share premium	589,753	589,753	589,753	589,753
Investment revaluation reserve	1,182,443	2,389,857	37,798,090	33,828,338
Retained earnings	37,385,913	34,358,987	13,081,075	13,136,740
Dividends proposed	798,530	798,530	798,530	798,530
Non controlling interest	11,286,455	12,427,316	-	-
Equity	51,575,815	50,897,164	52,600,169	48,686,082
Total borrowings	26,870,961	24,463,568	16,144,795	14,842,631
Less: cash and bank balances	(5,393,271)	(6,022,022)	(252,752)	(1,077,666)
Net borrowings	21,477,690	18,441,546	15,892,043	13,764,965
Gearing (%)	41.64%	36.23%	30.21%	28.27%

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management (continued)

e) Capital management

Loan covenants

Group

Sidian Bank Limited

The loans financial covenants relating to the non-performing loans and operational self- sufficiency ratios were not met as at 31 December 2018. The two lenders, Pamiga and Oiko, have not recalled the loans.

All the other subsidiaries have complied with their debt covenants.

Company

Under the terms of the major borrowing facilities, the company is required to comply with the following financial covenants:

a) interest cover: the ratio of internally generated funds to finance charges is equal to or more than 1.5:1; and

b) Net debt to equity cover: the ratio of consolidated total net debt to equity shall not exceed 1:2.

The Company was in compliance with the debt covenants.

11 Equity Structure

11.1 Ordinary share capital and share premium

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

	Number of shares (in thousands)	Ordinary shares	Share premium
	Ksh'000	Ksh'000	Ksh'000
At 1 April 2017, 31 March 2018 and 31 March 2019	665,442	332,721	589,753

The total authorised number of ordinary shares is 800,000,000 with a par value of Ksh 0.50 per share. 665,441,714 shares were issued and fully paid up as at 31 March 2019 and 2018.

11 Equity Structure (continued)

11.2 Other reserves

	Group			Company
	Investment revaluation Ksh'000	Currency translation Ksh'000	Total other reserves Ksh'000	Investment revaluation Ksh'000
At 1 April 2017	2,672,752	131,046	2,803,798	30,192,608
Reserves released on disposal	(34,124)	-	(34,124)	(7,399)
Revaluation surplus on property and equipment	(404,353)	-	(404,353)	-
Fair value losses in associates	-	-	-	689,661
Fair value gains in subsidiaries	-	-	-	3,767,153
Fair value losses in unquoted investments	(465,781)	-	(465,781)	(466,180)
Fair value gains in quoted investments	584,324	-	584,324	17,651
Currency translation differences	-	(84,675)	(84,675)	-
Deferred tax on revaluation gains	(9,332)	-	(9,332)	(365,156)
At 31 March 2018	**2,343,486**	**46,371**	**2,389,857**	**33,828,338**
Reserves released on disposal	(187,121)	-	(187,121)	(1,262,453)
Fair value losses in associates	-	-	-	1,834,168
Fair value gains in subsidiaries	-	-	-	4,135,364
Fair value losses in unquoted investments	(402,718)	-	(402,718)	(422,579)
Fair value gains in quoted investments	(530,540)	-	(530,540)	(45,556)
Currency translation differences	-	(161,002)	(161,002)	-
Deferred tax on revaluation gains	73,967	-	73,967	(269,192)
At 31 March 2019	**1,297,074**	**(114,631)**	**1,182,443**	**37,798,090**

11 Equity Structure (continued)

11.2 Other reserves (continued)

Investment revaluation reserve

The investment revaluation reserve arises on the revaluation of at fair value through other comprehensive income 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 retained earnings .

Currency translation reserve

The currency translation reserve comprises all foreign currency differences arising from the translation of foreign operations and are distributable upon realisation.

11.3 Dividends

Dividends payable to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

	2019	2018
i) Dividends paid	**Ksh'000**	**Ksh'000**
Final dividend in respect of the prior year	721,779	710,733

ii) Dividends proposed

The Board of Directors has recommended the payment of a dividend equivalent to KES 1.20 per share for the financial year ended 31 March 2019 (2018: KES 1.20 per share). The aggregate amount of the proposed dividend expected to be paid out of retained earnings at 31 March 2019, but not recognised as a liability at year end, is Ksh 798,530,000 (2018: Ksh 798,530,000)

ii) Unclaimed dividend	**Group**		**Company**	
	2019	**2018**	**2019**	**2018**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**
At start of year	154,139	82,725	154,139	82,725
Dividend - 2019	74,921	87,797	74,921	87,797
Dividend paid	(17,385)	(16,383)	(17,385)	(16,383)
	211,675	154,139	211,675	154,139

12 Related parties

12.1 Related party transactions

Related party transactions constitute the transfer of resources, services or obligations between the Group and a party related to the Group, regardless of whether a price is charged. For the purposes of defining related party transactions with key management, key management has been defined as directors and the Group's executive committee and includes close members of their families and entities controlled or jointly controlled by these individuals. Related party transactions are done at an armslength.

Centum Investment Company Plc is the ultimate parent of the Group. The Group transacts with companies related to it by virtue of common shareholding and also by virtue of common directors.

The following transactions were carried out with related parties:

i) Purchase of goods and services	**Group**		**Company**	
	2019	**2018**	**2019**	**2018**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**
Office rent paid to a subsidiary	21,397	-	23,636	-
Office rent (paid to entity controlled by a director)	-	15,524	-	16,283
Management fees paid to a subsidiary	24,851	-	4,251	49,418
At end of year	46,249	15,524	27,887	65,701

ii) Interest and dividend income	**Company**	
	2019	**2018**
	Ksh'000	**Ksh'000**
Interest income earned on advances and deposits placed with a subsidiaries	1,190,457	1,323,666
Dividend income earned from subsidiaries and associate	518,464	1,864,724

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**	
	2019	**2018**	**2019**	**2018**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**
Salaries	251,706	203,131	77,723	98,687
Performance bonus	56,643	306,325	25,659	223,521
Retirement benefit scheme contribution	13,581	11,499	5,259	6,567
	321,929	520,955	108,640	328,775

12 Related parties (continued)

12.1 Related party transactions (continued)

	Group		Company	
	2019	2018	2019	2018
iv) Directors remuneration	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Fees and expenses for services as a non-executive director	105,506	98,493	23,328	23,990
Other included in key management compensation above	45,284	177,558	45,284	177,558
	150,790	276,051	68,612	201,548
v) Outstanding related party balances				
Amounts due to related parties	39,365	72,796	351,078	293,798
Amounts due from related parties	1,747,360	666,975	15,696,348	13,385,790
vi) Shareholder loans advanced to related parties				
Two Rivers Development Limited	-	-	-	-
Two Rivers Lifestyle Centre Limited	1,747,360	666,975	-	-
Uhuru Heights Limited	-	-	580,377	574,074
eTransact Limited	-	-	7,157	7,157
Centum Exotics Limited	-	-	3,781,644	3,565,550
Centum Development Limited	-	-	4,544,663	3,926,414
Nabo Capital Limited	-	-	79,847	90,005
Centum Business Solutions Limited	-	-	854,993	399,320
Mvuke Limited	-	-	1,542,124	1,490,777
King Beverage Limited	-	-	533, 985	471,203
Vipingo Development Limited	-	-	3,111,937	2,500,062
Rasimu Limited	-	-	31,566	32,047
Investpool Holdings Limited	-	-	1,637	-
Shefa Holdings Limited	-	-	8,692	6,734
Mwaya Investments Company Limited	-	-	4.153	3,612
Greenblade Growers Limited	-	-	187,828	124,952
Bakki Holdco Limited	-	-	1,266	1,266
Vipingo Estates Limited	-	-	17,270	5,470
Athena Properties Limited	-	-	351,644	150,256
Zohari			13,305	-
Tribus (TSG) Limited			4,340	-
Two Rivers Luxury Apartments Limited	-	-	37,920	36,890
	1,747,360	666,975	15,696,348	13,385,790

13 Events occurring after the reporting period

13.1 Sale of Almasi Bottlers Limited and Nairobi Bottlers Limited

On 10 June 2019, the Group signed an agreement to sell its total combined shareholding in Almasi Beverages Limited and Nairobi Bottlers Limited to Coca-Cola Beverages Africa Limited at a combined valuation of KES 19.5 billion.

The two investments are carried at KES 16.8 billion on the balance sheet as at 31 March 2019 and have a carrying cost of KES 3.4 billion.

The Group expects to complete the transaction in the financial year ending 31 March 2020 and as such, the financial effects of this transaction have not been recognised in the financial statements for the year ended 31 March 2019.

SHAREHOLDER INFORMATION

PROXY FORM

I/We:____

Share A/C no.__________________________________

of [address]___________________________________

Being a member(s) of Centum Investment Company PLC hereby appoint ___________________________

____

or failing him/her the duly appointed Chairman of the meeting to be my/our proxy, to vote for me/us and on my/our behalf at the 52nd Annual General Meeting of the Company, to be held on Friday 13th September 2019 at Two Rivers, Limuru Road, Nairobi at 11:00 a.m. or 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 hands this __________ day of____2019

Signature (s): __________________________________

NOTES:

1. This proxy form is to be delivered to the Secretary's office not later than 11:00 a.m. on Wednesday 11th September 2019.
2. In the case of a Corporation, the proxy must be under the Common Seal or under the hand of an officer or Attorney duly authorized.
3. There is a form provided to each shareholder to be used for voting for or against or to withhold your vote on the resolutions. If neither for nor against is struck out or your vote is not withheld you will be deemed to have authorized the Proxy to vote as they think fit.
4. Please note that voting will only take place if a poll is demanded at the meeting in accordance with section 295 and 303 of the Companies Act No. 17 of 2015

Mimi/Sisi:_____________________________________

Nambari ya akaunti ya hisa_______________________

Anwani_______________________________________

Kama Mwanahisa/Wanahisa wa Centum Investment Company PLC namteua/tunamteua ______________

____

na akikosa, nateua/tunamteua Mwenyekiti wa Mkutano kama mwakilishi wangu/wetu, kupiga kura kwa niaba yangu/yetu kwenye Mkutano Mkuu wa Mwaka Makala ya 52 utakaofanyika Ijumaa, 13 Septemba 2019 katika Two Rivers, Limuru Road, Nairobi 11:00a.m. ama siku yoyote ile endapo mkutano huo utaahirishwa.

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________________________2019

Sahihi: ____

MAELEZO:

1. Ni lazima fomu hii ya uwakilishi ijazwe kikamilifu na kufikishwa kwa katibu wa Kampuni kabla ya saa tano asubuhi Jumatano, 11 Septemba, 2019.
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 kutumika kuunga mkono/dhidi ya/kuzuia kura yako. Ikiwa maamuzi ya kuunga mkono ama dhidi ya ama kuzuia kura yako haijaelekezwa katika fomu ya upigaji kura basi itaeleweka kwamba umemuidhinisha mwakilishi wako kupiga kura kama anavyofikiri.
4. Upigaji kura utafanyika iwapo kura itaitishwa katika mkutano ikiambatana na kifungu 295 na 303 ya Sheria za Kampuni (No. 17 of 2015)

The Company Secretary
Centum Investment Company PLC
Limuru Road, 9th Floor South Tower, Two Rivers Office Towers
P.O. Box 10518, 00100
Nairobi, Kenya

PAYMENT MODE FORM

C & R Group

Completed Payment Mode 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.

1/ We, the undersigned, hereby authorise and instruct the Company (ies) listed below and Custody and Registrars Services Limited to pay all my replacement dividends through the following payment mode:

☐ **EFT (Certificated Shareholders)**

☐ **MPESA (Both Certificated & CDS Shareholders) –Dividend Max Kes 70,000.00**

1/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.

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

SHAREHOLDER'S FULL NAME:…………………………………………………………………………...……………………………………………

INDICATE COMPANY(S) IN WHICH YOU HOLD SHARES AND THEIR SHARE ACCOUNT NUMBER(S):

COMPANY					
SHARE A/C					

CONTACT DETAILS

CURRENT ADDRESS (INCLUDE POSTAL CODE AND POST OFFICE NAME)	CONTACT TELEPHONE	SIGNATURE NO	DATE

**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*

MPESA OPTION

Shareholder Safaricom Phone Number

Maximum amount of 70,000ksh

0	7										

All normal charges by banks for processing Electronic Funds Transfers are applicable. Please enquire with your bank.

For verification of Identity and Bank Account Details, please attach

1. A certified copy of your identification document (national ID or Valid passport)
2. A certified copy of dividend notice OR shares certificate (For each of the companies you hold shares - where applicable)
3. A copy of your bank statement which must be certified by the bank. (FOR EFT ONLY)

All the above copies should be certified by a Commissioner of Oaths (Within Kenya)/Notary Public (Overseas) or at our offices upon presentation of originals.

NOTE: This information will supersede any previous mandate instruction lodged with Custody and Registrars Services Limited.
Kindly ensure to sign and indicate your share account numbers for all the companies in which you hold shares.

MAP TO AGM VENUE

centum.co.ke

(+254) 20 228 6000

info@centum.co.ke